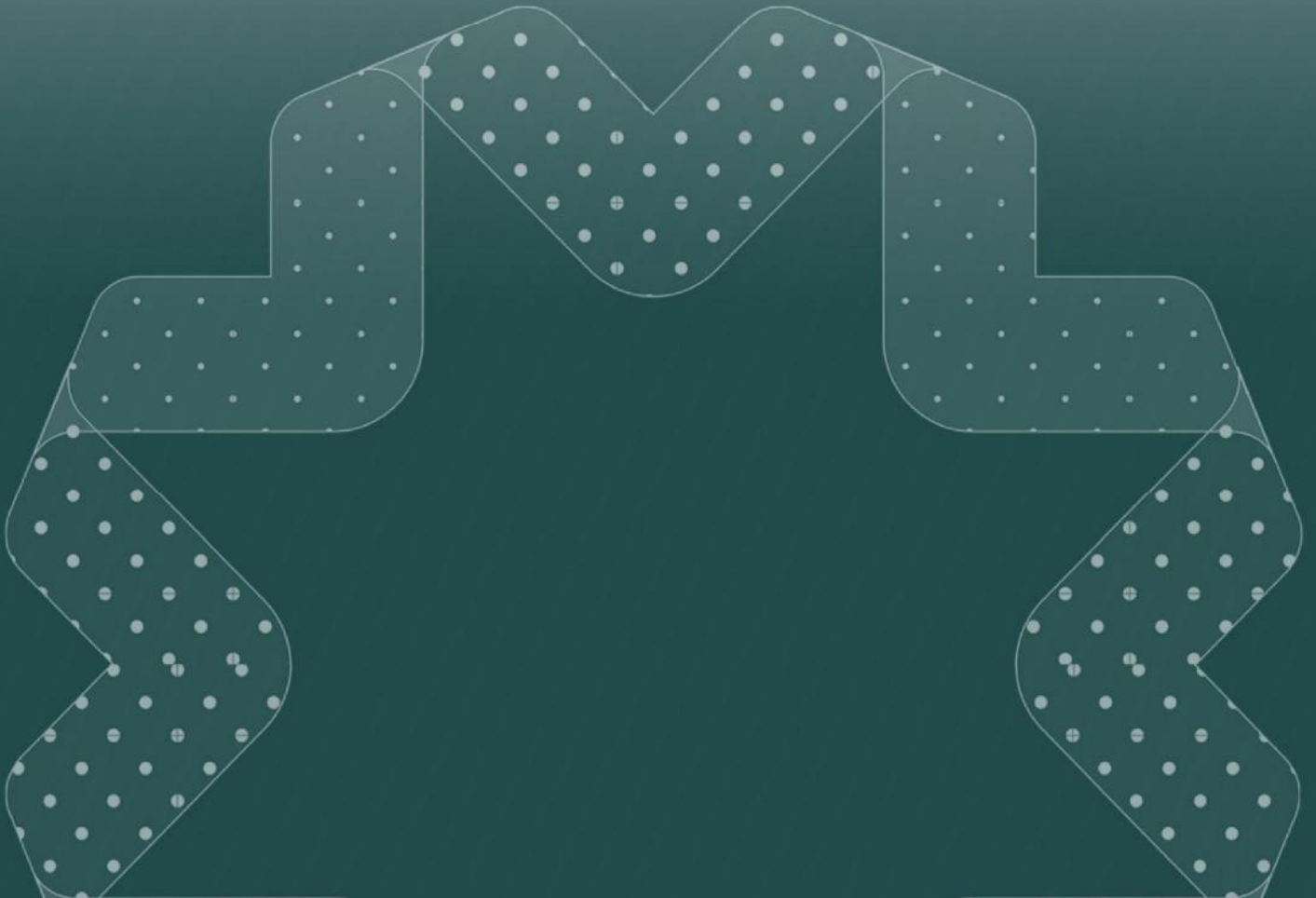




الأمانة العامة للجان الزكوية والضريبية والجمركية
General Secretariat of Zakat, Tax and Customs Committees

Tax Committees Decisions for 2022 AD (Value Added Tax and Excise Tax) Volume (1)





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**In the Name of Allah, Most
Gracious, Most Merciful**



Introduction

Praise be to Allah, Lord of Worlds. May His blessings and peace be upon our Prophet Muhammad and upon all his Family and Companions.

It is no doubt that the courts and judicial commissions efforts, rulings and decisions constitute an invaluable jurisprudential and judicial wealth that must be carefully preserved. In the context of commercial and industrial revolution that Kingdom of Saudi Arabia is experiencing under Saudi Vision 2030, various zakat and tax controversies have arisen, affecting many people. Therefore, and based on General Secretariat of Zakat, Tax and Customs Committees social responsibility, Secretariat has sought to create a solid foundation and reference for committee members, Taxpayers and interested parties by publishing final decisions issued by tax committees in 2023. This contributes to effective settlement of zakat and tax disputes, and limits time taken for deciding upon cases. These records clarify decisions reached by committees, which would have a positive impact on shortening litigation period, saving efforts for case examiner, fulfilling principle of transparency pursued by General Secretariat, and introducing practical aspects to bodies concerned with legal research, particularly academic, training and other relevant bodies.

We ask Allah Almighty that this book be a sincere endeavor for the sake of Allah, to reward our efforts and guide us to the goodness. He is indeed the most generous.



Message of His Excellency, Secretary General of Zakat, Tax and Customs Committees

Praise be to Allah almighty,

General Secretariat of Zakat, Tax and Customs Committees vision and values has been committed to excel in resolving zakat, tax and customs disputes, adopt innovative and effective approaches, enhance transparency and neutrality, develop cooperation between parties of zakat, tax and customs ecosystem, and play an effective role in raising efficiency of legal consideration. This is intended to enable zakat, tax and customs committees to successfully resolve disputes before them, and provide support and assistance to committees at all stages by conducting studies and research, as well as also helping zakat payers by clarifying laws, decisions and judicial precedents, and updating them periodically. General Secretariat has attached special importance to final decisions issued by committees, being the final product of well-established judicial jurisprudence, and can be developed and updated to reflect changes. Recording such precedents help decide on similar disputes heard by judicial committees. Knowing these decisions also eliminate disagreements and disputes and supports litigants position before committees. This effort includes the project of classification and categorization of final decisions issued by tax committees.

This priceless value of appellate decisions necessitated that they be assembled and published for public to achieve principle of transparency, consolidate existing efforts, and enrich scientific arena to be a fertile field for scholars, specialists and research centers.

Publication of these final decisions is a noble effort by General Secretariat, which comes in line with its mandate, and demonstrates its resolute commitment to promoting justice according to support and directives of our blessed leadership, with its unlimited support for the legislative and regulatory ecosystem.

In conclusion, I would like to extend my sincere thanks to His Royal Highness the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz, and his Crown Prince, His Royal Highness Prince Mohammed bin Salman bin Abdulaziz, Prime Minister, may Allah protect them, for their generous patronage and support for judicial activities in various fields. I also extend my sincere recognition to employees of General Secretariat for their distinguished efforts in issuing this product, which I hope will achieve its goals and be a qualitative addition to the legal field.

Secretary General

Abdullah bin Abdulrahman Al-Suhaibani



Work Methodology:

To achieve the desired benefit, the General Secretariat was keen to select and publish judgments with comprehensive and general nature. Given the importance of appropriate description of case before committees and its impact on inference and reaching the decision, which is the outcome sought by parties to case, and given the diverse facts and circumstances of tax and zakat cases, there has been a need to sort and classify committees decisions for easy reference for litigants and interested parties.

Based on General Secretariat of Zakat, Tax and Customs Committees role in adopting and applying principles of continuous improvement and development in management of zakat, tax and customs disputes, to enable conclusive settlement of these disputes, care and attention were given to classifying and publishing final decisions issued by Committees. Accordingly, a well-thought-out plan was developed to come up with an easy and accessible product. Work was divided into several stages according to the following:

- Inventorying final decisions made by tax committees in relation to the value added tax and excise tax for the year 2022.
- Indicating the name of the Department that delivered the decision in addition to the decision number and date of issue.
- Setting keywords to facilitate search process.
- Providing abstract of decision outlining key points.
- Indicating the grounds on which the Department based its decision while providing links that support such grounds, if any.
- Ensuring anonymity of litigants and other involved parties without affecting decision.
- Checking decisions to ensure they are free from any linguistic and spelling errors.
- Classifying decisions objectively as appropriate and placing each decision under its relevant classification.



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Decisions based on formal aspect:



Committee for Determination of Tax Violations and
Disputes
Third Department to Adjudicate Value Added Tax
Violations and Disputes
In Riyadh

Decision No.: VJ-2022-1622
Case No.: V-128228-2022

Key words:

Value Added Tax - Objection to Re-assessment - Failure to Clearly Specify Plaintiff's Claims - Dismissal of Case for Failure to Clearly State the Aspects of Case

Abstract

The Taxpayer instituted this case moving to cancel ZATCA's decision regarding the re-assessment and the resulting fines. The Department found that the Taxpayer didn't state his claims clearly and name the disputed decisions and their tax periods. Accordingly, this Department decided to dismiss the Plaintiff's case for failure to clearly state the aspects of his case.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- Article (66) of the [Law of Civil Procedures promulgated by Royal Decree No. \(M/1\) dated 22/01/1435 AH](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)
- [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- [Common VAT Agreement of GCC States, November 2016.](#)
- [Implementing Regulations of the Income Tax Law promulgated by Minister of Finance's Decision No. \(1535\) of 11/06/1425 AH](#)
- [Implementing Regulations of the Value Added Tax Law, issued by Resolution of the Board of Directors of the General Authority of Zakat and Income - formerly- No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH corresponding to 14 November 2016](#)

Facts

Facts of the case are summed up in that, holder of National ID number (....), in his capacity as the owner of Establishment, registered under the C.R. No.



submitted a statement of claim that included his objection to ZATCA's re-assessment and the resulting fines.

On Tuesday, 26/07/2022 AD, the First Department to Adjudicate Value Added Tax Violations and Disputes in Jeddah convened a session remotely in accordance with the remote virtual litigation procedures pursuant to the Article (15.2) of Tax Dispute and Violation Committee Procedures issued by Royal Decree No. (26040) of 21/04/1441 AH. Upon calling litigants, it was found that neither the Plaintiff nor his representative appeared. For ZATCA appeared Mr....., a Saudi National, holder of National ID No. in his capacity as ZATCA's Representative by Authorization Letter No. (...), issued by ZATCA's Deputy Governor for Legal Affairs. Having asked the Defendant's representative about his reply, he maintained his statements as submitted in his Reply to the Plaintiff's claims. The Department having determined that the case was ripe for adjudication according to Article (20) of Tax Dispute and Violation Committee Procedures, decided to adjourn the session for deliberation in preparation for delivery of its decision.

Grounds

After reviewing the Case documents, and upon thorough examination, and in light of the Income Tax Law promulgated by Royal Decree No. (M/1) dated 15/01/1425 AH, as amended and its Implementing Regulations issued pursuant to the Minister of Finance's Decision No. (1535) dated 11/6/1425 AH, as amended, Value Added Tax Law promulgated by Royal Decree No. (M/113) dated 02/11/1438 AH, as amended and the Implementing Regulations issued by the decision of GAZT's BOD No. (3839) dated 14/12/1438 AH, as amended, Tax Dispute and Violation Committee Procedures issued by Royal Decree No. (26040) dated 11/06/1441 AH, the Common VAT Agreement of GCC States, and all relevant laws and regulations;

In form, the Department established that the Plaintiff did not specify in his statement of claims his claims and requests. Therefore, this Department rules to dismiss the case filed by the Plaintiff for failing to clearly state the aspects of his case based on Article (66) of the Law of Civil Procedures, which states: "The judge shall ask the plaintiff with regard to necessary aspects of his claim prior to questioning the defendant and may not otherwise proceed with the case. If the plaintiff is unable or unwilling to do so, the judge shall dismiss the case." Accordingly, and since Department could not clearly identify the Plaintiff's requests as well as the contested decisions and their tax periods, it hereby decides to dismiss the case for failing to clearly specify its aspects. In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

- Dismiss the case filed by the Plaintiff for failing to clearly specify the aspects of his case.

This decision was made in presence of both parties, in accordance with provisions of Article (56) of Law of Civil procedures. The Department has set a period of (30) days for the receipt of a copy of the judgment, and the Department may extend the delivery period for another (30) days as it deems appropriate. The parties to the case may request its appeal within (thirty) days from the day following the date specified for receipt thereof. In the event that objection is not submitted, it shall become final and enforceable after expiry of this period.



May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.
(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and Disputes
Third Department to Adjudicate Value Added Tax Violations
and Disputes
In Riyadh

Decision No.: VTR-2022-1018
Case No.: 53953-2021-V

Keywords:

Value Added Tax - Objection to the Late Registration Fine - Filing a Case Prematurely

Abstract

The Taxpayer instituted this case moving to cancel ZATCA's decision regarding the late registration fine. The Department, having established that the Plaintiff filed her case on 09/06/2021 AD and since the Plaintiff stated in its statement of claims that she did not file an objection to the decision before ZATCA and did not provide any justification for that; Therefore, this Department decided to dismiss the case for being filed prematurely.

Documents:

- Article 2 of the [Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. 26040 of 21/04/1441 AH](#)

Facts

The facts of this case are summed up as follows. The Plaintiff, National ID No....., filed an objection to the Defendant's decision regarding the late registration fine, and upon presenting the statement of claims to the Defendant, it argued that the case is inadmissible in form as ZATCA's decision has become final. On Wednesday, 05/01/2022, the Department held its session remotely to hear the Case. Upon calling the parties to the Case, Mr....., a Saudi National, National ID No. (...), in his capacity as ZATCA's Representative by Authorization Letter No. (...), Dated .../.../.... AH issued by ZATCA's Deputy Governor for Legal Affairs. Neither Plaintiff nor his attorney appeared or attended the session, despite being duly notified of the session date. Therefore, the Department unanimously resolved to dismiss the case in accordance with Article (20) of Tax Dispute and Violation Committee Procedures. On 11/01/2022, Plaintiff submitted a request to reopen the Case. On Monday, 23/05/2022, the Department held its session remotely to hear the Case. Upon calling the parties to the Case, the Plaintiff declared her presence. For the Defendant appeared Mr....., a Saudi National, National ID No. (...), in his capacity as ZATCA's Representative by Authorization Letter No. (...), dated .../.../..... AH issued by the Deputy Governor for Legal Affairs. Having asked the Plaintiff about her claims, she maintained her statements outlined in her statement of claims submitted to the General Secretariat of Zakat, Tax, and Customs Committees, while having asked the Defendant about its reply, it also maintained its answers contained in its Plea. Having asked the parties to the case if they had any other statements, they decided to suffice with their earlier submissions. Therefore, the Department decided to adjourn the session for deliberation and adjudication.



Grounds

Having reviewed the relevant laws and regulations, and since the admission of a case is conditional upon filing an objection before ZATCA initially based on Article 2 of Tax Dispute and Violation Committee Procedures issued by Royal Order No. (26040) of 21/04/1441 AH, and since the case files indicate that the Plaintiff filed her case on 09/06/2021 AD, and the Plaintiff stated in her statement of claims that she did not file an objection to the decision before ZATCA, and did not provide any justification for that, and accordingly this Department concludes that this case has been filed prematurely.

Decision

- Dismiss the case in form.

This decision was delivered in presence of the parties. The date of entering decision in the e-system of the General Secretariat is considered the date of decision delivery. Either party to the Case may appeal against the decision within (30) thirty days from the day following the date set for receipt of the decision, whereafter, the decision shall be final and enforceable after expiry of such period if either party does not file an objection

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate Value Added Tax Violations
and Disputes
Dammam in

Decision No.: VD-2022-1690
Case No.: 99036-2022-V

Key words:

Value Added Tax - Objection to Final Assessment - Previously Decided Case (Res Judicata)

Abstract

The Taxpayer instituted this case moving to cancel ZATCA's decision regarding the objection to the final assessment for the second quarter of 2020 and the resulting fines, and since the Department established that the subject matter of the case and its parties are the same as in a previous case. Therefore, the Department ruled to dismiss the case for being previously decided.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- Article (76) of the [Law of Civil Procedures promulgated by Royal Decree No. \(M/1\) dated 22/01/1435 AH](#)
- [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 11/02/1438 AH](#)
- [Implementing Regulations of the Value Added Tax Law, issued by Resolution of the Board of Directors of the General Authority of Zakat and Income - formerly- No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH corresponding to 14 November 2016](#)

Facts

The facts of this case are summed up in that, National ID No., owner of Establishment, C.R. No., filed an objection to the final assessment issued by ZATCA for the second quarter of 2020 AD, and the resulting fines. On Monday, 22/08/2022 AD, a session was held in accordance with the remote video litigation procedures, where the Defendant appeared, while the Plaintiff failed to appear despite being notified of the date and format of this session. The Defendant was represented by Mr....., holder of National ID No., in his capacity as ZATCA's Representative by Authorization Letter No. (...), dated .../.../..... AH issued by the Deputy Governor for Legal Affairs, who requested that the Department proceed with the case and deliver its decision. Accordingly, the Department ordered that the case parties be dismissed for deliberation and delivery of its decision. After due deliberation, the following decision was issued:



Grounds

Having reviewed the relevant laws and regulations, and since the Plaintiff's claim is related to his request that the Defendant cancels its decision regarding the re-assessment of the tax period of the second quarter of 2020, and the resulting fines, which was a subject matter of a previous case No. (V-98974-2022) between the same parties that has been decided; and given that this decision falls within the jurisdiction of the Department, and since the subject matter of this case has been already decided by the Decision No. (VD-2022-1298) between the same parties, this case is inadmissible based on paragraph Article 76.1 of the Law of Civil Procedures

In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

Dismiss the case for being previously decided.

This decision was delivered in presence of the parties. The date of entering decision in the e-system of the General Secretariat is considered the date of decision delivery. Either party to the Case may appeal against the decision within (30) thirty days from the day following the date set for receipt of the decision, whereafter, the decision shall be final and enforceable after expiry of such period if either party does not file an objection

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Appeal Committee for Tax Violations and Disputes The First
Appeal Department for Value Added and Excise Tax
Violations and Disputes
In Ritadh City

Decision No.: VA-2022-102
Case No.: V-68019-2021

Key words:

Value Added Tax - Lack of Capacity - Dismissal of Appeal

Abstract

The Appellant (Taxpayer) appeals against the Primary Committee's decision No. (VSR-2021-429) which ruled that the case be dismissed in form for being filed against a person without a capacity. The Appeal Department found that the appealed decision was consistent with the provisions of the Law and was based on sound grounds that are sufficient to justify it, as the primary department has considered the dispute carefully until it reached the ruling contained in the operative part. Accordingly, this Department decided to dismiss the Appeal and uphold the Primary decision.

Documents:

- Paragraph (2) of Article (20) of [Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. \(26040\) dated 21/04/1441 AH](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)

Facts

Since facts of this case have been stated in the decision subject matter of appeal, Appellate Department refers to this decision for avoidance of repetition. Whereas the primary decision ruled to:

dismiss the case in form for lack of capacity.

Dissatisfied with this decision, the Appellant filed to the Appeal Department a statement of appeal that included his objection to the primary decision, which ruled to dismiss the case in form for being brought against a person without capacity on grounds that it was Appellee who restored the tax exemption amount from the Ministry of Housing. The Appeal Department decided to grant leave to the appeal.

On Tuesday 27/03/1443 AH, corresponding to 02/11/2021 AD, the First Appeal Department for Value Added and Excise Tax Violations and Disputes held a session via video conference to hear the appeal based on Article 15.2 of Tax Dispute and Violation Committee Procedures, which stipulates that: "A circuit may hear the case using modern technological means provided by the General Secretariat". The Department, having reviewed the case file, the parties' submissions and the appealed decision, and after discussion and deliberation, decided to adjourn the case for deliberation and examination for delivering its decision.



On Tuesday 03/05/1443 AH, corresponding to 07/12/2021 AD, the First Appeal Department for Value Added and Excise Tax Violations and Disputes held a session via video conference to hear the appeal based on Article 15.2 of Tax Dispute and Violation Committee Procedures, which stipulates that: “A circuit may hear the case using modern technological means provided by the General Secretariat”. The Department, having reviewed the case file, the parties’ submissions and the appealed decision, and after discussion and deliberation, decided to adjourn the case to the hearing of Tuesday 23/05/1443 AH, corresponding to 27/12/2021 AD, at 4:00 pm, and to notify the parties to attend at that hearing.

On Monday 23/05/1443 AH, corresponding to 27/12/2022 AD, the First Appeal Committee for Value Added and Excise Tax Violations and Disputes held a session to consider the appeal submitted via video conference, based on Article 15.2 of Tax Dispute and Violation Committee Procedures, which stipulates that: “A circuit may hear the case using modern technological means provided by the General Secretariat”. After reviewing the case file, all submissions and documents submitted by the parties and the appealed decision, the having called the two parties, the Appellant, National ID No. Declared its presence, while for the Appellee appeared Mr....., National ID No., in his capacity as the attorney for the Appellee under PoA No. The Department then decided to open the pleadings. When the Appellant was asked about his claims, he replied that he paid the value-added tax in the amount of SAR 35,000 to the seller of the property the value of the property sold was SAR 700,000, and when he went to the Ministry of Housing to recover the tax amount (first-time home buyer), he was told that the tax exemption amount had been transferred to bank (Appellee). The Appellant further stated that he invokes the arguments and defenses contained in his statement of appeal as well as his submissions uploaded to the General Secretariat e-portal. Upon presenting those claims to the Appellee's attorney, and asking him if he received the tax from the buyer (the Appellant) and whether he had delivered the tax to the seller, and his response to the Appellant's claims that the Appellee had received the tax exemption amount, he requested a period to respond. Accordingly, the Department decided to give the Appellee's attorney a period to submit his response to the Department's inquiry within a maximum period of five working days. The session was adjourned to Tuesday, 18/01/2022, 4:00 PM.

On Monday 15/06/1443 AH, corresponding to 18/01/2022 AD, the First Appeal Committee for Value Added and Excise Tax Violations and Disputes held a session to consider the appeal submitted via video conference, based on Article 15.2 of Tax Dispute and Violation Committee Procedures, which stipulates that: “A circuit may hear the case using modern technological means provided by the General Secretariat”. After reviewing the case file, all submissions and documents submitted by the parties and the appealed decision, the having called the two parties, the Appellant, National ID No. Declared its presence, while for the Appellee appeared Mr....., National ID No., in his capacity as the attorney for the Appellee under PoA No. In that session, the Department reviewed the submissions requested from the Appellee’s attorney. Having asked both parties if they had any further statements to add, they settled for their previous submissions. Therefore, the Department decided to close the pleadings for deliberation and delivery of its decision.

Grounds

Based on Income Tax Law, issued under Royal Decree No. (M/1) dated 15/01/1425 AH, as amended by Royal Decree No. (M/113) dated 02/11/1438 AH, and after reviewing Tax



Dispute and Violation Committee Procedures, issued under Royal Order No. (26040) dated 21/04/1441 AH.

Where the appeal was submitted by a person of capacity during the specified regulatory period and fulfilled its regulatory requirements in accordance with the provisions of Article 40.2 of Tax Dispute and Violation Committee Procedures, it should be accepted in form. On merits, the Department, having reviewed the case papers and documents as well as the submissions of case parties, established that the appealed decision dismissed the case in form for being filed against a person with no capacity under the case. Since it is established that the decision subject of appeal is consistent with the law and was based on valid grounds, where the primary department has duly examined the dispute reaching the conclusions contained in the operative part, and since this Department has no comment or rectification as to the primary decision in light of the arguments and defenses received by it, it therefore concludes that those arguments and defenses do not affect the primary decision. Therefore, this Department concludes to dismiss this appeal and uphold the primary decision for the grounds stated therein.

Therefore, and after due deliberation, Department unanimously decided to:

Decision

First: Accept Appeal filed by..... holder of National ID No., in form for submission during the period prescribed by law.

Second: Dismiss the Appeal filed by holder of National ID No., and uphold Decision of Second Department to Adjudicate Value Added Tax Violations and Disputes in Riyadh No. (VSR-2021-429).

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.



Committee for Determination of Tax Violations and
Disputes
Second Department to Adjudicate Value Added Tax
Disputes and Violations
In Riyadh

Decision No.: VSR -2022-
1407
Case No.: Z-31938-2020

Key words:

Value Added Tax - Field Detection Fine - Tax Period - Dismissal of Duplicative Case

Abstract

The Taxpayer instituted this case moving to cancel ZATCA's decision regarding the field detection fine. Where the Taxpayer has a previous case registered with the Secretariat under No. (V-67079-2021) on the same subject and the same tax period, and since the Law does not permit the same subject to be considered at the same time before the courts even if any of these cases has acquired the force of res judicata. Therefore, the Department dismisses the Case in form.

Documents:

- Article (75) of the [Law of Civil Procedures promulgated by Royal Decree No. \(M/1\) dated 22/01/1435 AH](#)
- [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 11/02/1438 AH](#)
- [The Implementing Regulations of the Value Added Tax Law issued by the decision of the Board of Directors of the \(former\) General Authority of Zakat and Income - No. \(3839\) of 14/12/1438 AH corresponding to 14/11/2016 AD](#)

Facts

The facts of this case are summarized as follows: The Plaintiff (...), holding National ID No. (...), filed an objection to the field detection fine. When the statement of claims was presented to the Defendant, it entered a defense to dismiss the case in form as its decision has become final. On Thursday 26/05/2022, a session was held remotely via video conference. Upon calling the parties, it was found that neither the Plaintiff or his legal representative appeared despite being duly notified of the session date. For the Defendant appeared Ms..... holder of National ID No. (...), in her capacity as a representative of the Defendant, pursuant to the Authorization No..... dated .../.../..... issued by ZATCA's Deputy Governor for Legal Affairs In this session, the Department found that the Plaintiff had a pending case No. (V-67079-2021) dated (08/25/2021) on the same subject and tax period. Accordingly, the Department unanimously decided to close the pleading and deliberation for delivering its decision.



Grounds

Based on the relevant laws and regulations; and since the Plaintiff claimed to cancel the Defendant's decision regarding the field detection fine based on the Value Added Tax Law and its Implementing regulations; and since the Plaintiff has a previous case registered with the Secretariat under No. (V-67079-2021) on the same subject and the same tax period, and since Article (75) of the Law of Civil Procedures promulgated by Royal Decree No. (M/1) of 22/01/1435 AH provides that "Motions for the invalidity of the statement of claim, improper venue, or for transferring the case to another court because the same dispute or another related case is filed with said court, shall be presented before any request or defense is made in the case; otherwise, any right not so presented shall be forfeited"; accordingly, it is understood that the Law does not permit the same subject matter to be considered at the same time before the courts, even if any of the cases has not been finally determined by a final decision. Therefore, this Department concludes to dismiss this case for being a duplicate case.

Decision

Dismiss the case in form for being a duplicative case.

This decision was issued in the presence of both parties, and the Department set a period of thirty (30) days for the receipt of a copy of the decision. The Department may extend the deadline for additional thirty (30) days as it deems appropriate. Either party to the case may appeal against the decision within 30 days from the day following the date set for receipt of the decision, whereafter, the decision will be final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



**Tax Violations and Disputes Settlement Committee First
Department to Adjudicate Value Added Tax Violations and
Disputes
In Dammam**

**Decision No.: VD-2022-1790
Case No.: V-78839-2021**

Key words:

Value Added Tax - Final Reassessment - Tax Period - Prescription

Abstract

The Taxpayer instituted this case moving to cancel ZATCA's decision regarding the final reassessment of the tax period of the third quarter of 2018, and the resulting fines. It was established that the Plaintiff did not submit his objection to ZATCA and was notified of the assessment decision on 13/07/2021, and then he initiated a case before the department on 24/10/2021, and accordingly the case is found to have been filed after ZATCA's decision becomes final and irreversible. Therefore, this Department rules to dismiss the case in form.

Documents:

- Article 3 of the [Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. 26040 of 21/04/1441 AH](#)
- [Common VAT Agreement of GCC States, November 2016.](#)
- [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- [The Implementing Regulations of the Value Added Tax Law issued by the decision of the Board of Directors of the \(former\) General Authority of Zakat and Income - No. \(3839\) of 14/12/1438 AH corresponding to 14/11/2016 AD](#)

Facts

The facts of this case are summarized as follows: Mr. ..., holder of National ID No., in his capacity as attorney under PoA No....., For Company, C.R. No., filed a statement of claims including his objection to the Defendant's decision regarding the final reassessment issued by ZATCA for the tax period of the third quarter of 2018, and the resulting fines. When the statement of claim was presented to the Defendant, it argued that the case is inadmissible in form as its decision has become final. On Sunday, 21/08/2022 AD, a session was held remotely as per the remote litigation procedures. The Defendant was present, while the Plaintiff was not, despite being notified of the date and format of the session. The Defendant was represented by Mr..... holder of National ID No., in his capacity as ZATCA's Representative by Authorization Letter No. (.....), dated .../.../..... AH issued by the Deputy Governor for Legal Affairs, who requested that the Department proceed with the case and deliver its decision. Therefore, the Department decided to adjourn the session for deliberation and delivering of its decision.



Grounds

Having reviewed the relevant laws and regulations; and since hearing this case is conditional upon filing an objection to ZATCA within sixty (60) days from the date of notification, and based on Article 3 of Tax Dispute and Violation Committee Procedures issued by Royal Order No. (26040) dated 21/04/1441 AH; and since the case documents indicate that the Plaintiff did not submit an objection before ZATCA and was notified of the assessment decision on 13/07/2021 AD, and instituted this case before the Department on 24/10/2021 AD, and accordingly this case was filed after ZATCA's decision became final and it is hence inadmissible in form.

Based on the above grounds, and based on the Common VAT Agreement, VAT Law and its Implementing Regulations, and the Tax Dispute and Violation Committee Procedures, and after deliberation, the Department unanimously decided to:

Decision

Dismiss the case in form.

This decision was delivered in presence of both parties as per Article 21 of Tax Dispute and Violation Committee Procedures. The date of entry of the decision into the e-system of General Secretariat of the Zakat, Tax, and Customs Committees shall be considered the date of service of the decision. Parties hereto may request to appeal decision within thirty (30) days from the day following the date specified for its receipt, whereafter, the decision shall become final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Decision based on Substantive Aspect



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-29
Case No.: V-55236-2021

Key words:

Value Added Tax - Field Detection Fine - Tax Invoice - Failure to Mention the Type of Tax - Officially Specified Goods

Abstract

The Taxpayer instituted this case moving to cancel ZATCA's decision regarding the imposition of a field detection fine of SAR 10,000 for failure to comply with the requirements of the tax invoice and state the prices inclusive of tax. The Department found that the Taxpayer's facility is a supplier of a single product (gasoline), which is a product with a fixed price that cannot be modified or changed, and the invoice has met all the requirements included in the Regulations, and it also fulfills what ZATCA required. Accordingly, this Department ruled to accept the case and cancel the fine.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- [Common VAT Agreement of GCC States, November 2016.](#)
- [Implementing Regulations of the Value Added Tax Law, issued by Resolution of the Board of Directors of the General Authority of Zakat and Income - formerly- No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH corresponding to 14 November 2016](#)

Facts

The facts of this case are summed up in that the Plaintiff, National ID No., in his capacity as the owner of Establishment, C.R. No....., submitted a statement of claims, which included an objection to the Defendant's decision regarding the imposition of a field detection fine of SAR 10,000 for failure to comply with the requirements of the tax invoice by mentioning the price inclusive of tax, requesting that the fine be canceled.

Having presented the statement of claim to Defendant, it responded as follows: First: On Merits: 1. ZATCA's representatives visited the Plaintiff's site and examined the simplified invoices provided by the Plaintiff during the field inspection to ensure that they meet the requirements set out in the Value Added Tax Law and its Implementing Regulations. After inspection, it was found that the invoices violate the provisions of Article 53 (b) of the Implementing Regulations of the Value Added Tax Law, which provides that: "A simplified tax invoice must include the following details: E) The tax payable or a statement that the consideration is inclusive of tax in respect of the supply of goods or services"



(attached).

2. Having verified that the Plaintiff has violated the Value Added Tax Law and its Implementing Regulations as stated above, ZATCA imposed a fine of SAR 10,000 under ZATCA's Decision No. of 25/02/2021, based on Article 45.3 of the Value Added Tax Law, which states: "A fine not exceeding fifty thousand (50,000) riyals shall be imposed on any person who: 3. Violates any other provision of the Law or Regulations." Defendant representative concluded his Reply requesting that the case be dismissed. End of Reply.

On Wednesday, 12/01/2022 AD, a session was held in accordance with the Remote Litigation Procedures. Both parties requested to proceed with the case. The Plaintiff, holder of ID No. appeared in person. Representing himself/herself, with National ID No. (...), and by Defendant's representative (...), holder of National ID No., in his capacity as ZATCA's Representative by Authorization Letter No. (...), dated 08/03/1442 AH issued by the Deputy Governor for Legal Affairs. Having asked Plaintiff about his case, he maintained his statements in his statement of claims submitted to General Secretariat of Zakat, Tax and Customs Committees. Having asked Defendant's representative about his reply to Plaintiff claims, he maintained his answers contained in his reply. Having asked the parties to the case if they had any other statements, they decided to suffice with their earlier submissions. Therefore, the Department ordered that the parties be temporarily dismissed from the virtual session for deliberation and delivery of its decision.

Grounds

After due examination and having reviewed the case file, the Value Added Tax Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, the Implementing 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, the Tax Dispute and Violation Committee Procedures issued by Royal Decree No. (26040) dated 11/06/1441 AH, the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since the Plaintiff filed the case to cancel the Defendant's decision regarding the field detection fine and violation of tax invoice requirements and since this dispute is a Zakat dispute, it then falls within the jurisdiction of the Committee for Determination of Income Tax Violations and Disputes as per Royal Decree No. (26040) of 21/04/1441 AH, and since the Case was filed by a person with capacity, and within the period prescribed by Law, it is then accepted in form.

On Merits, the Department, having examined the case papers and the parties submissions after giving them sufficient time to provide their arguments, established that the establishment is a supplier of a single product of a fixed price that cannot be modified or changed, and the invoice met all the requirements stated in the Regulations, and it also fulfilled ZATCA's requirements, and thus, the Department concluded to accept the Plaintiff's claims and cancel the fine decision.

Based on the above grounds, and based on the Common VAT Agreement, VAT Law and its Implementing Regulations, and the Tax Dispute and Violation Committee Procedures, and after deliberation, the Department unanimously decided to:



Decision

1- To accept the Plaintiff case and cancel the Defendant's decision subject of the case. This decision was issued in presence of both parties. Department set thirty (30) days from date for receiving copy of decision, and may extend delivery date for another (30) days. Parties hereto may request to appeal decision within thirty (30) days from the day following the date specified for its receipt, whereafter it shall become final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Appeal Committee for Tax Violations and Disputes
First Appeal Department for Value Added Tax Violations
and Disputes
In Riyadh City

Decision No.: VA-2022-40
Case No.: V-72352-2021

Appeal Committee for Tax Violations and Disputes

Key words:

Value Added Tax - Claiming the Value of Value Added Tax - Rent of Property - Payment Notice - Accepting the Appeal

Abstract

The Appellant (the Taxpayer) filed this appeal against the Primary Decision No. (VJ-2021-1315), arguing that he is entitled to a refund of the VAT imposed on the lease of a property to the Appellee after submitting all documents proving his case. Since the Department has found that the Appellant has paid the tax as per the payment notice contained in the case file. Therefore, The Department hereby ruled to accept the appeal and dismiss the primary decision.

Documents:

- Article 40.2 of the [Tax Disputes and Violations Committee Procedures issued by Royal Order No. \(26040\) dated 21/04/1441 AH](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)

Facts

Since facts of this case have been stated in the decision subject matter of appeal, Appellate Department refers to this decision for avoidance of repetition. Whereas the primary decision ruled to:

First: In form: Accept the case in form.

Second: On merits:

Dismiss the Plaintiff's claim regarding the refund of the VAT imposed on the Defendant's proceeds subject matter of this case due to insufficient documents.

Dissatisfied with the decision, the Appellant filed this appeal before the Appeal Department expressing his objection to the primary decision that dismissed his case against the Appellee arguing that he is entitled to refund of the VAT imposed on the lease of a property to the Appellee while submitting all the documents proving his case, concluding his requests with a motion to accept the appeal and dismiss the appealed decision.

On Tuesday 08/06/1443 AH corresponding to 11/01/2022 AD, the First Appellate Department for Value Added and Excise Tax Violations and Disputes held a session to consider the filed appeal via video conference in accordance with Paragraph (2) of Article (15) of Tax Dispute and Violation Committee Procedures that stipulates: Sessions of the Department may be held via modern technological means provided by the General Secretariat". Case file, along with all memoranda and documents, was reviewed, as well as



decision of the Adjudication Department under appeal. After discussion and deliberation, the Department decided to adjourn the session and issue a decision.

Grounds

Based on Income Tax Law, issued under Royal Decree No. (M/1) dated 15/01/1425 AH, as amended by Royal Decree No. (M/113) dated 02/11/1438 AH, and after reviewing Tax Dispute and Violation Committee Procedures, issued under Royal Order No. (26040) dated 21/04/1441 AH.

Where the appeal was submitted by a person of capacity during the specified regulatory period and fulfilled its regulatory requirements in accordance with the provisions of Article 40.2 of Tax Dispute and Violation Committee Procedures, it should be accepted in form.

On Merits: The Appellate Department, having taken cognizance documents and examined the documents included therein, and after reviewing memorandums and answers provided by both parties, found that the decision delivered by the Primary Committee ruled to dismiss the Case filed by Plaintiff (...) against Appellee (...), where Appellant requests annulling Committee's decision on the ground of his entitlement to claim VAT amount arising from renting out a real property to Appellee. Since the primary decision was based on the fact that Appellant did not provide sufficient documents to substantiate his claim. Since Appellant's registration in VAT system became effective on 01/01/2018, and it has been established that Appellant paid the due tax, according to the payment notice submitted in the case. Since provisions of the Agreement, Law, and Regulations place the burden of bearing and remitting tax on the supplier by collecting it from the recipient of goods or services. Therefore, the Department accepts the appeal and annuls the primary decision, subject matter of the Case.

For the aforementioned grounds, and after legal deliberation, the Department unanimously decided as follows:

Decision

First: Accept the appeal filed by (...), holder of National ID No., in form for submission during the period prescribed by law.

Second: Accept the appeal filed by (...), holder of National ID No., and annul First Department to Adjudicate Value Added Tax Violations and Disputes in Jeddah Decision No. (...), and oblige Appellee (...), C.R. No. (...), to pay Appellant (...), holder of National ID No., an amount of SAR 73,765 (seventy-three thousand, seven hundred and sixty-five Saudi Riyals).

This decision was delivered in presence of both parties and is considered final and enforceable in accordance with Article (47) of Tax Dispute and Violation Committee Procedures

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.



Appellate Committee for Tax Violations and Disputes
First Appellate Department for Value Added Tax Violations
and Disputes
in Riyadh

Decision No.: VA-2022-41
Case No.: V-72370-2021

Key words:

Value Added Tax – Claim for VAT Amount – Real Property Rent – Payment Notice –
Accepting Appeal

Abstract

Appellant (Taxpayer) requests annulling Primary Committee's Decision No. (VJ-2021-1311), asserting Appellant's right to claim the value of VAT ensuing from the rental of a real property to Appellee, in addition to submitting all supporting documents for the claim. Since the Department has found that the Appellant has paid the tax as per the payment notice contained in the case file. Therefore, The Department hereby ruled to accept the appeal and dismiss the primary decision.

Documents:

- Article 40.2 of [Tax Disputes and Violations Committee Procedures issued by Royal Order No. \(26040\) dated 21/04/1441 AH](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)

Facts

Since facts of this case have been stated in the decision subject matter of appeal, Appellate Department refers to this decision for avoidance of repetition. Whereas the primary decision ruled to:

First: In form: Accept the case in form.

Second: On merits:

- Dismiss Plaintiff's claim regarding Defendant's request for refunding VAT amount for the supply in question due to insufficient documents.

Dissatisfied with the decision, the Appellant filed this appeal before the Appeal Department expressing his objection to the primary decision that dismissed his case against the Appellee arguing that he is entitled to refund of the VAT imposed on the lease of a property to the Appellee while submitting all the documents proving his case, concluding his requests with a motion to accept the appeal and dismiss the appealed decision.

On Tuesday 08/06/1443 AH corresponding to 11/01/2022 AD, the First Appellate Department for Value Added and Excise Tax Violations and Disputes held a session to consider the filed appeal via video conference in accordance with Paragraph (2) of Article (15) of Tax Dispute and Violation Committee Procedures that stipulates: Sessions of the Department may be held via modern technological means provided by the General Secretariat". Case file, along with all memoranda and documents, was reviewed, as well as



decision of the Adjudication Department under appeal. After discussion and deliberation, the Department decided to adjourn the session and issue a decision.



Grounds

Based on Income Tax Law, issued under Royal Decree No. (M/1) dated 15/01/1425 AH, as amended by Royal Decree No. (M/113) dated 02/11/1438 AH, and after reviewing Tax Dispute and Violation Committee Procedures, issued under Royal Order No. (26040) dated 21/04/1441 AH.

Where the appeal was submitted by a person of capacity during the specified regulatory period and fulfilled its regulatory requirements in accordance with the provisions of Article 40.2 of Tax Dispute and Violation Committee Procedures, it should be accepted in form.

On Merits: The Appellate Department, having taken cognizance documents and examined the documents included therein, and after reviewing memorandums and answers provided by both parties, found that the decision delivered by the Primary Committee ruled to dismiss the Case filed by Plaintiff (...) against Appellee (...), where Appellant requests annulling Committee's decision on the ground of his entitlement to claim VAT amount arising from renting out a real property to Appellee. Since the primary decision was based on the fact that Appellant did not provide sufficient documents to substantiate his claim. Since Appellant's registration in VAT system became effective on 01/01/2018, and it has been established that Appellant paid the due tax, according to the payment notice submitted in the case. Since provisions of the Agreement, Law, and Regulations place the burden of bearing and remitting tax on the supplier by collecting it from the recipient of goods or services. Therefore, the Department accepts the appeal and annuls the primary decision, subject matter of the Case.

For the aforementioned grounds, and after legal deliberation, the Department unanimously decided as follows:

Decision

First: Accept the appeal filed by (...), holder of National ID No., in form for submission during the period prescribed by law.

Second: Accept the appeal filed by (...), holder of National ID No., and annul First Department to Adjudicate Value Added Tax Violations and Disputes in Riyadh Decision No. (...), and oblige Appellee (...), C.R. No. (...), to pay Appellant (...), holder of National ID No., an amount of SAR 64,500 (sixty-four thousand and five hundred Saudi Riyals).

This decision was delivered in presence of both parties and is considered final and enforceable in accordance with Article (47) of Tax Dispute and Violation Committee Procedures

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.



Appellate Committee for Tax Violations and Disputes
First Appellate Department for Value Added Tax Violations
and Disputes
in Riyadh

Decision No.: VA-2022-42
Case No.: V-54065-2021

Key words:

Value Added Tax – Objection to Final Assessment – Local Sales – Purchases – Dismissing Appeal

Abstract

Appellant (ZATCA / Taxpayer) requests annulling Primary Committee's Decision No. (VSR-2021-187). ZATCA appeal involves the request to annul Primary Committee's decision that accepted (Purchases) item, arguing that Appellee (...) did not intend to engage in supply activities. The Appellate Department found that the contested decision aligned with the Law and was supported by valid reasoning sufficient for its ruling, since the Primary Department thoroughly examined the dispute and reached a well-founded conclusion. Since Taxpayer's appeal involves the fact that the sold dwelling was intended for personal residential use. The Appellate Department found that the contested decision was consistent with provisions of the Law and based on valid reasoning sufficient to support its ruling, since the Primary Department thoroughly examined the dispute and reached the conclusion stated in its wording. Therefore, the Department dismisses ZATCA appeal, upholds the primary decision, dismisses Taxpayer's appeal and upholds the primary decision.

Documents:

- Article 40.2 of [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) dated 21/04/1441 AH](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)

Facts

Since facts of this case have been stated in the decision subject matter of appeal, Appellate Department refers to this decision for avoidance of repetition. Whereas the primary decision ruled to:

First: In form: Accept the Case in form.

Second: On merits:

- Dismiss Plaintiff's request regarding the standard-rated sales for tax period in question.
- Annul Defendant's decision regarding the standard-rated local purchases for tax period in question.
- Amend decision of Defendant (ZATCA) regarding the late payment fine arising from Defendant's amendment of Plaintiff's tax return for tax period in question.

Dissatisfied with this decision by both parties, Appellant (...) submitted a statement of appeal to the Appellate Department, objecting to Committee's decision that dismissed its



claim regarding the final assessment for tax period related to Q2_2018 (Sales) item and arising fines. Appellant requests annulling Primary Committee's decision on the ground that the sold dwelling was for personal residence use. In addition, Appellant concluded the statement of appeal by requesting the Department to accept the appeal and annulling Committee's decision.

Having presented the statement of appeal to Appellee (ZATCA), appellee gave an answer summarized as follows: "ZATCA insists on the reasoning stated in the primary decision and informs the Department that the arguments raised by Appellant do not differ from those previously presented before the Primary Committee".

Appellant (ZATCA), in its capacity as Defendant, submitted a statement of appeal to the Appellate Department, objecting to Committee's decision regarding (Purchases) item. ZATCA stated that Appellee (...) acknowledged during audit process the possibility of utilizing residential unit either for sale if beneficial or as housing units for his sons. This explicit acknowledgment indicates that he did not have a definite intent to engage in supply activities. Appellant (ZATCA) concluded the statement of appeal by requesting the Department to accept the appeal and amend the primary decision.

Having presented the statement of Appellant (ZATCA) to Appellee (...), Appellee answered as follows: "I contacted ZATCA by phone and was asked whether these lands were intended for trading, to which I responded yes".

On Tuesday 07/07/1443 AH, corresponding to 08/02/2022 AD, the First Appeal Department for Value Added and Excise Tax Violations and Disputes held a session via video conference to hear the appeal based on Article 15.2 of Tax Dispute and Violation Committee Procedures, which stipulates that: "A circuit may hear the case using modern technological means provided by the General Secretariat". The Department, having reviewed the case file, the parties' submissions and the appealed decision, after discussion and deliberation, the Department decided to adjourn the session for deliberation in preparation for issuing decision.

Grounds

In accordance with Income Tax Law promulgated by Royal Decree No. (M/1) dated 15/01/1425 AH as amended by Royal Decree No. (M/113) dated 02/11/1438 AH, and having perused Tax Dispute and Violation Committee Procedures issued by Royal Order No. (26040) dated 21/04/1441 AH.

Since the appeal was filed by a party having capacity and within the statutory period and fulfilled its statutory requirements in accordance with Paragraph (2) of Article (40) of Tax Dispute and Violation Committee Procedures. Therefore, the Department accepts the appeal in form.

On Merits: The Appellate Department, having taken cognizance of Case documents and examined the documents included therein, and after reviewing memorandums and answers provided by both parties, found that the decision delivered by the Primary Department ruled to accept the Case filed by Appellant (...) regarding the annulment of final assessment decision issued by Appellee (ZATCA) for tax period related to Q2_2018 (Sales) item and the arising fines. Since Appellant requests annulling Primary Committee's decision on the ground that the sold dwelling was for personal residence use. Since it is established that the contested decision regarding the dispute, subject matter of consideration, is consistent with provisions of the Law and is based on sound reasoning sufficient to support its ruling, since the Primary Department thoroughly examined the dispute and reached the conclusion stated in its wording. Since the Appellate Department did not find any grounds for reconsideration or objection in light of the arguments raised before it. Therefore, this Department concludes that such arguments have no effect on the outcome of decision.

Therefore, the Department dismisses the appeal and upholds Primary Committee's decision based on its grounds.

As for the appeal filed by ZATCA regarding the request to annul the primary decision on accepting (Purchases) item, on the ground that Appellee's intention was not definitively directed towards engaging in supply activities. Since it is established that the contested decision regarding the dispute, subject matter of consideration, is consistent with provisions of the Law and is based on sound reasoning sufficient to support its ruling, since the Primary Department thoroughly examined the dispute and reached the conclusion stated in its wording. Since the Appellate Department did not find any grounds for reconsideration or objection in light of the arguments raised before it. Therefore, this Department concludes that such arguments have no effect on the outcome of decision. As such, the Department dismisses ZATCA appeal and uphold the primary decision based on its grounds.

For the aforementioned grounds, and after legal deliberation, the Department unanimously decided as follows:

Decision

First: As for the appeal filed by (...):

- 1- Accept the appeal in form.
- 2- Dismiss the appeal filed by (...), holder of National ID No., and uphold Second Department to Adjudicate Value Added Tax Violations and Disputes in Riyadh decision.

Second: With regard to ZATCA Appeal:

- 1- Accept the appeal in form.
- 2- Dismiss ZATCA appeal and uphold Second Department to Adjudicate Value Added Tax Violations and Disputes in Riyadh decision.

This decision was delivered in presence of both parties and is considered final and enforceable in accordance with Article (47) of Tax Dispute and Violation Committee Procedures

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.



Appellate Committee for Tax Violations and Disputes
First Appellate Department for Value Added Tax Violations
and Disputes
in Riyadh

Decision No.: VA-2022-43
Case No.: V-64782-2021

Key words:

Value Added Tax – Real Property Purchase – Non-Registration – Tax Certificate – Dismissing Appeal

Abstract

Appellant (Taxpayer) requests annulling Committee's Decision No. (VSR-2021-406), which ruled obliging Appellant (...) to pay the amount that outlines VAT arising from the purchase of a real property from Appellee (...). The Appellate Department found that the contested decision was consistent with provisions of the Law and based on valid reasoning sufficient to support its ruling, since the Primary Department thoroughly examined the dispute and reached the conclusion stated in its wording. Therefore, the Department dismisses the appeal and upholds the primary decision.

Documents:

- Paragraph (2) of Article (40) of [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) dated 21/04/1441 AH](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)

Facts

Since facts of this case have been stated in the decision subject matter of appeal, Appellate Department refers to this decision for avoidance of repetition. Whereas the primary decision ruled to:

First: In form:

Accept the Case in form.

Second: On merits:

- Order Defendant (...), C.R. No. (...), to pay Plaintiff (...), holder of National ID No. (...), an amount of SAR 103,800 (one hundred and three thousand, eight hundred Riyals) that outlines VAT due on the sale of the two real properties, subject matter of the Case. Dissatisfied with this decision, Appellant submitted a statement of appeal to the Appellate Department, objecting to the primary decision, subject matter of appeal, which obliged Appellant to pay the amount that outlines VAT arising from the purchase of two real properties from Appellee, given that the Case was filed by a party that does have a capacity. In addition, Appellee was not registered in VAT system at the time of sale. Appellant concluded the statement of appeal requesting the Department to accept the appeal and annul the primary decision.

On Monday 16/05/1443 AH, corresponding to 20/12/2021 AD, the First Appeal Committee for Value Added and Excise Tax Violations and Disputes held a session to consider the appeal submitted via video conference, based on Article 15.2 of Tax Dispute



and Violation Committee Procedures, which stipulates that: “A circuit may hear the case using modern technological means provided by the General Secretariat”. Case file, all memorandums, documents and Primary Department's decision, subject matter of appeal were reviewed. After discussion and deliberation, the Department decided to adjourn the Case to Tuesday, 01/06/1443 AH corresponding to 04/01/2022 AD, 01:00 PM, provided that the parties are notified to appear at the next session through their attorney or legal representative. Session link will be sent to the e-mail registered in Case file.

On Tuesday 01/06/1443 AH, corresponding to 05/01/2022 AD, the First Appeal Department for Value Added and Excise Tax Violations and Disputes held a session via video conference to hear the appeal based on Article 15.2 of Tax Dispute and Violation Committee Procedures, which stipulates that: “A circuit may hear the case using modern technological means provided by the General Secretariat”. Case file, including all memorandums and documents, and the primary decision, subject matter of appeal, were reviewed. Having called the parties, the Department found that Appellant (...), holder of National ID No., under POA No. (...), In addition, (...), holder of National ID No. (...), appeared in his capacity as Appellee's attorney under POA No. (...). At that session, the Department asked Appellant about the claim. Therefore, Appellant gave an answer that does not differ from the previous statements, and that he satisfies with the statement of appeal and memorandums filed through the portal of the General Secretariat of Tax Dispute and Violation Committees, in addition to insisting on the evidence and arguments included therein. Having presented the same to Appellee's representative, he gave an answer that does not differ from the statements included in the answer, satisfying with the memorandum submitted via the portal of the General Secretariat of Tax Dispute and Violation Committees, in addition to insisting on the evidence and arguments presented therein. After discussion and deliberation, the Department decided to adjourn the Case for taking cognizance and further study.

On Tuesday 07/07/1443 AH, corresponding to 08/02/2022 AD, the First Appeal Department for Value Added and Excise Tax Violations and Disputes held a session via video conference to hear the appeal based on Article 15.2 of Tax Dispute and Violation Committee Procedures, which stipulates that: Sessions of the Department may be held via modern technological means provided by the General Secretariat”. Case file, along with all memoranda and documents, was reviewed, as well as decision of the Adjudication Department under appeal. After discussion and deliberation, the Department decided to adjourn the session and issue a decision.

Grounds

In accordance with Income Tax Law promulgated by Royal Decree No. (M/1) dated 15/01/1425 AH as amended by Royal Decree No. (M/113) dated 02/11/1438 AH, and having perused Tax Dispute and Violation Committee Procedures issued by Royal Order No. (26040) dated 21/04/1441 AH.

Where the appeal was submitted by a person of capacity during the specified regulatory period and fulfilled its regulatory requirements in accordance with the provisions of Article 40.2 of Tax Dispute and Violation Committee Procedures, it should be accepted in form.

On Merits: The Appellate Department, having taken cognizance of Case documents, examined the memorandums and replies provided by both parties, found that the primary decision ruled to oblige Appellant (...) to pay an amount that outlines VAT arising from the purchase of two real properties from Appellee (...). Since it is established that the contested decision regarding the dispute, subject matter of consideration, is consistent with provisions of the Law and is based on sound reasoning sufficient to support its ruling, since the Primary Department thoroughly examined the dispute and reached the conclusion stated in its wording. Since the Appellate Department did not find any grounds



for reconsideration or objection in light of the arguments raised before it. Therefore, this Department concludes that such arguments have no effect on the outcome of decision. Therefore, this Department concludes to dismiss this appeal and uphold the primary decision for the grounds stated therein.

For the aforementioned grounds, the Department unanimously decided as follows:

Decision

First: Accept the appeal filed by (...), C.R. No. (...), In form be submitted during regulatory period.

Second: Dismiss the appeal (...), C.R. No. (...), and uphold Second Department to Adjudicate Value Added Tax Violations and Disputes in Riyadh Decision No. (VSR-2021-406).

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.



Appellate Committee for Tax Violations and Disputes
First Appellate Department for Value Added Tax Violations
and Disputes
in Riyadh

Decision No.: VA-2022-45
Case No.: V-66069-2021

Key words:

Value Added Tax – Final Assessment – Error Fine – Late Payment Fine – Accepting Appeal

Abstract

Appellant (Taxpayer) requests annulling Primary Committee's Decision No. (VJ-2021-1911). Appellant objects to dismissing its objection to the final assessment for February and March 2018, imposing fine of error in the tax return and late payment fine. Regarding (Standard-Rated Local Sales) item, the Department found that the term "taxes" was stated in general without specification. Regarding error fine and the late payment fine, the related matters shall have the same effect. Therefore, The Department hereby ruled to accept the appeal and dismiss the primary decision.

Documents:

- Paragraph (2) of Article (40) of [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) dated 21/04/1441 AH](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)

Facts

Since facts of this case have been stated in the decision subject matter of appeal, Appellate Department refers to this decision for avoidance of repetition. Whereas the primary decision ruled to:

First: In form: Accept Plaintiff's case in form.

Second: On merits:

- Dismiss the Case filed by (...), holder of National ID No., Being owner of ... C.R. No. (...), against ZATCA.

Dissatisfied with this decision, Appellant submitted a statement of appeal to the Appellate Department, objecting to the primary decision that dismissed its claim in which Appellant requests annulling decision of Appellee (ZATCA) regarding the reassessment for February and March 2018 and imposing fines. Appellant requests annulling primary decision on the ground that the contracts are subject to zero-rated tax and meet the conditions specified in Paragraph (3) of Article (79) of the Implementing Regulations of Value Added Tax Law. In addition, Appellant concluded the statement of appeal by requesting the Department to accept the appeal and annul Committee's decision.

In response to Appellant statement, Appellee submitted a counter-argument, summarized as follows: "1. With regard to Plaintiff's appeal regarding (Sales) item according to the reassessment for the periods of February and March 2018, ZATCA clarifies to the Honorable Department that it insists on the primary decision, since the decision is consistent with provisions of Paragraph (2) of Article (79) of the Implementing



Regulations of Value Added Tax Law that stipulates: “For the purposes of this Article, the date of a Supply occurs on or after the commencement date of the Law in the following cases: a) If the date when Goods are delivered or made available occurs on or after the commencement date of the Law. b) if the date when the performance of services is completed occurs on or after the commencement date of the Law”. Since it is established to Your Excellency that the completion of work takeover under Contract No. (...) was in accordance with the Certificate of Completion during periods after the enforcement of the Law and throughout 2018, and similarly, the completion of work takeover under Contract No. (...) was in accordance with the Certificate of Completion dated after the enforcement of the Law, which confirms that the date of completion of the supply was executed and accepted by the customer after the enforcement of the Law. Since the criterion for taxability is the date of completion of works, the reassessment of the periods, subject matter of the Case, was conducted in accordance with the Law and as stipulated in Paragraph (1) of Article (26) of Value Added Tax Law that stipulates: “1. The Authority may make a Tax assessment of a Taxable Person irrespective of a Tax Return filed by him”. This resulted in amending (Standard-Rated Local Sales) item for the periods of February – March 2018. Accordingly, we request that Plaintiff’s appeal in this case is dismissed due to the validity and correctness of ZATCA procedures. Regarding Plaintiff’s appeal regarding late payment fine and fine for submitting an incorrect tax return for the periods in question, ZATCA clarifies to the Honorable Department that it insists on the primary decision, since the decision is consistent with provisions of Paragraph (1) of Article (42) of Value Added Tax Law that stipulates: “Any Person who files an incorrect Tax Return to the Authority, amends a Tax Return after filing or files any document with the Authority in relation to the Tax due by him which results in an error in the calculation of the Tax amount resulting in an amount that is less than the Tax due shall be liable to a fine equal to (50%) of the value of the difference between the calculated Tax and the Tax due”. On Tuesday 29/06/1443 AH, corresponding to 01/02/2022 AD, the First Appeal Department for Value Added and Excise Tax Violations and Disputes held a session via video conference to hear the appeal based on Article 15.2 of Tax Dispute and Violation Committee Procedures, which stipulates that: “Circuit sessions may be held using modern technological means provided by the General Secretariat”. The decision rendered by the First Department to Adjudicate Value Added Tax Violations and Disputes in Dammam was reviewed, in addition to taken cognizance of Case file and all attached memorandums and documents. Having taken cognizance of arguments and documents provided by both parties, and in accordance with provisions of Value Added Tax Law, its Implementing Regulations and Tax Dispute and Violation Committee Procedures, the transcript was closed accordingly. In addition, the Department decided to continue considering the Case and deliver a ruling upon further examination and consideration.

Grounds

Based on Income Tax Law, issued under Royal Decree No. (M/1) dated 15/01/1425 AH, as amended by Royal Decree No. (M/113) dated 02/11/1438 AH, and after reviewing Tax Dispute and Violation Committee Procedures, issued under Royal Order No. (26040) dated 21/04/1441 AH.

Since the appeal was filed by a party having capacity and within the statutory period and fulfilled its statutory requirements in accordance with Paragraph (2) of Article (40) of Tax Dispute and Violation Committee Procedures. Therefore, the Department accepts the appeal in form.

On Merits: The Appellate Department, having taken cognizance of Case documents, examined the memorandums and replies provided by both parties, found that the primary decision ruled to dismiss the claim filed by Plaintiff (...). against ZATCA. Since Appellant



objects to dismissing its objection to the final assessment for February and March 2018 and imposing error fine and late payment fine. Regarding (Standard-Rated Local Sales) item, Appellant requests that the standard VAT rate not be imposed on the contracts made with Customer (...) No. (...) dated 01/09/2014 AD and No. (...) dated 01/06/2014 AD. Appellant argues that the contract in question is subject to zero-rated tax, as the Department found that the appeal is based on the claim that the contract in question includes the phrase “all taxes, fees and public burdens” without specification. Given that the contracts were signed before 30/05/2017 AD, and before the date of the Supreme Council decision at its 36th meeting (Riyadh, 9-10 December, 2015) with respect to the common imposition by the GCC States of VAT, it would have been unreasonable to anticipate the application of VAT at that time. The apparent meaning of the contract’s wording suggests that it covers all taxes imposed at the time of signing. Therefore, the Appellate Department accepts the appeal regarding this item and annuls the primary decision.

Regarding Appellant’s objection to the primary decision, which dismissed the request of Plaintiff (...) to cancel the late payment fine related to the tax period in question. The above item resulted in accepting appeal and annulling Primary Department’s decision. Since the related matters shall have the same effect, the Department accepts the appeal.

Regarding Appellant’s objection to Primary Department’s decision, which dismissed the request of Plaintiff (...) to cancel the late payment fine related to tax period in question. Since the above item resulted in accepting appeal and annulling Department’s decision. Since the related matters shall have the same effect, the Department accepts the appeal.

For the aforementioned grounds, and after legal deliberation, the Department unanimously decided as follows:

Decision

First: Accept the appeal filed by (...), holder of National ID No., In their capacity as owner of ... C.R. No. (...) in form for submission during the period prescribed by law.

Second: Accept the appeal filed by (...), holder of National ID No., In their capacity as owner of ... C.R. No. (...), annul First Department to Adjudicate Value Added Tax Violations and Disputes in Dammam Decision No. (...), and consider the contracts made with (...) Company as subject to zero-rated tax.

Third: Accept the appeal filed by (...), holder of National ID No., In their capacity as owner of ... C.R. No. (...) regarding error fine and late payment fine, annul First Department to Adjudicate Value Added Tax Violations and Disputes in Dammam Decision No. (...), and annul the decision of Appellee (ZATCA) in accordance with (Second) of this decision.

May Allah’s Blessings and Peace be upon our Prophet Muhammad and his family and companions.



Appellate Committee for Tax Violations and Disputes
First Appellate Department for Value Added Tax Violations
and Disputes
in Riyadh

Decision No.: VA-2022-49
Case No.: V-72501-2021

Key words:

Value Added Tax – Real Estate Supply – Dismissing Appeal

Abstract

Appellant (ZATCA) requests annulling Committee's Decision No. (VJ-2021-1305) since the concluded contract did not stipulate the borne VAT. The Department found that the contested decision in this dispute was consistent with provisions of the Law and reasons on which it was based that are sufficient to support its ruling, since the Primary Department thoroughly examined the dispute and reached the conclusion included in its wording. Therefore, the Department dismisses the appeal and upholds the primary decision.

Documents:

- Paragraph (2) of Article (40) of [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) dated 21/04/1441 AH](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)

Facts

Since facts of this case have been stated in the decision subject matter of appeal, Appellate Department refers to this decision for avoidance of repetition. Whereas the primary decision ruled to:

First: In form: Accept the case in form.

Second: On merits:

Accept the Case filed by Plaintiff (...), holder of National ID No. (...), and oblige Defendant (...), holder of National ID No., in his capacity as the Owner of (... Enterprise), C.R. No. (...), to pay an amount of (SAR 118,361.60) one hundred eighteen thousand three hundred sixty-one Saudi Riyals and sixty halalas that outlines VAT amount due to Plaintiff for the real estate supply subject matter of the Case.

Dissatisfied with this decision, Appellant submitted a statement of appeal to the Appellate Department, which included his objection to the primary decision that accepted the Case filed Appellee (...) and oblige Appellant to pay an amount that outlines VAT due on the real estate supply in question. Appellant requests annulling Committee's decision on the ground that the concluded contract did not stipulate his liability for VAT. In addition, Appellant concluded that statement of appeal by requesting the Department to accept the appeal and annul the primary decision.

Having presented the statement of claim to Appellee, Appellee submitted an answer summarized as follows: "We inform Your Excellency that there is nothing in Appellant's memorandum that requires a response, as he did not state the reason for his appeal against

the primary decision. Accordingly, we insist on the submitted statement of claim and Committee's decision, and we request Your Excellency to dismiss the appeal and uphold the decision rendered by the First Department to Adjudicate Value Added Tax Violations and Disputes in Jeddah".

On Tuesday 08/06/1443 AH corresponding to 11/01/2022 AD, the First Appellate Department for Value Added and Excise Tax Violations and Disputes held a session to consider the filed appeal via video conference in accordance with Paragraph (2) of Article (15) of Tax Dispute and Violation Committee Procedures that stipulates: "A circuit may hear the case using modern technological means provided by the General Secretariat". Case file, all memorandums, documents and Primary Department's decision, subject matter of appeal were reviewed. After discussion and deliberation, the Department decided to adjourn consideration of the Case for Monday, 06/07/1443 AH corresponding to 07/02/2022 AD, 04:00 PM, provided that the parties are notified to appear.

On Monday 06/07/1443 AH corresponding to 07/02/2022 AD, First Appellate Department for Value Added and Excise Tax Violations and Disputes held a session to consider the appeal filed via video conference in accordance with Paragraph (2) of Article (15) of Tax Dispute and Violation Committee Procedures that stipulates: "A circuit may hear the case using modern technological means provided by the General Secretariat". Case file, including all memorandums and documents, and the primary decision, subject matter of appeal, were reviewed. Having called the parties, the Department found that Appellant (...), holder of National ID No. (...), appeared under POA No. (...). In addition, the representative of Appellee, (...), holder of National ID No. (...), appeared under POA No. (...). Accordingly, the Department decided to open pleadings by asking Appellant's representative about the claim, to which he gave an answer that does not differ from the previous statements, and that he satisfies with the statement of appeal and memorandums filed through the portal of the General Secretariat of Tax Dispute and Violation Committees, in addition to insisting on the evidence and arguments included therein. Having presented the same to Appellee's representative, he gave an answer that does not differ from the statements included in the answer, satisfying with the memorandum submitted via the portal of the General Secretariat of Tax Dispute and Violation Committees, in addition to insisting on the evidence and arguments presented therein. Having asked both parties if they would like to add any statements, they satisfied with their earlier submissions. Therefore, the Department decided to adjourn the Case for taking cognizance, further study and delivering a decision.

Grounds

In accordance with Income Tax Law promulgated by Royal Decree No. (M/1) dated 15/01/1425 AH as amended by Royal Decree No. (M/113) dated 02/11/1438 AH, and having perused Tax Dispute and Violation Committee Procedures issued by Royal Order No. (26040) dated 21/04/1441 AH.

Where the appeal was submitted by a person of capacity during the specified regulatory period and fulfilled its regulatory requirements in accordance with the provisions of Article 40.2 of Tax Dispute and Violation Committee Procedures, it should be accepted in form.

On Merits: The Appellate Department, having taken cognizance of Case documents and examined the documents included therein, and after reviewing memorandums and answers provided by both parties, found that the decision delivered by the Primary Department ruled to accept the Case filed by Appellee (...) and order Appellant to pay an amount that outlines VAT arising from the real estate supply in question. Since it is established that the contested decision regarding the dispute, subject matter of consideration, is consistent with provisions of the Law and is based on sound reasoning sufficient to support its ruling, since the Primary Department thoroughly examined the dispute and reached the



conclusion stated in its wording. Since the Appellate Department did not find any grounds for reconsideration or objection in light of the arguments raised before it. Therefore, this Department concludes that such arguments have no effect on the outcome of decision. Based on the foregoing, the Department dismisses the appeal and upholds the primary decision based on its grounds. For theses grounds and after legal deliberation, the Department unanimously decided as follows:

Decision

First: Accept the appeal filed by (...), holder of National ID No., in his capacity as owner of (...) Enterprise, C. R. No. (...) in form for submission during the period prescribed by law.

Second: Dismiss the appeal filed by (...), holder of National ID No., and uphold First Department to Adjudicate Value Added Tax Violations and Disputes in Jeddah Decision No. (VJ-2021-1305).

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.



Appellate Committee for Tax Violations and Disputes
First Appellate Department for Value Added Tax Violations
and Disputes
in Riyadh

Decision No.: VA-2022-54
Case No.: V-74089-2021

Key words:

Value Added Tax – Real Property Sale – Accepting Appeal

Abstract

Appellant (Taxpayer) requests annulling of Committee's Decision No. (VSR-2021-492) on the ground that Appellant is entitled to claim VAT arising from the sale of a real property to Appellee. The Department found that the sale transaction in question is based on Title Deed No. (...), and it is confirmed that Appellant has paid the due VAT to ZATCA for the real estate supply subject matter of the Case. Therefore, The Department hereby ruled to accept the appeal and dismiss the primary decision.

Documents:

- Paragraph (2) of Article (40) of [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) dated 21/04/1441 AH](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)

Facts

Since facts of this case have been stated in the decision subject matter of appeal, Appellate Department refers to this decision for avoidance of repetition. Whereas the primary decision ruled to:

First: In form: Accept the case in form.

Second: On merits:

Dismiss the Case filed by Plaintiff (...), holder of National ID No., against Defendant (...), C.R. No. (...).

Dissatisfied with this decision, Appellant submitted a statement of appeal to the Appellate Department, objecting to Primary Committee's decision that dismissed its claim against Appellee (...). Appellant requests annulling Committee's decision, asserting its entitlement to claim VAT amount arising from the sale of a real property to Appellee, along with submitting all supporting documents for the claim. In addition, Appellant concluded the statement of appeal by requesting the Department to accept the appeal and annul the primary decision.

On Tuesday 07/07/1443 AH corresponding to 08/02/2022 AD, the First Appellate Department for Value Added and Excise Tax Violations and Disputes held a session to consider the filed appeal via video conference in accordance with Paragraph (2) of Article (15) of Tax Dispute and Violation Committee Procedures that stipulates: Sessions of the Department may be held via modern technological means provided by the General Secretariat". Case file, along with all memoranda and documents, was reviewed, as well as



decision of the Adjudication Department under appeal. After discussion and deliberation, the Department decided to adjourn the session and issue a decision.

Grounds

Based on Income Tax Law, issued under Royal Decree No. (M/1) dated 15/01/1425 AH, as amended by Royal Decree No. (M/113) dated 02/11/1438 AH, and after reviewing Tax Dispute and Violation Committee Procedures, issued under Royal Order No. (26040) dated 21/04/1441 AH.

Where the appeal was submitted by a person of capacity during the specified regulatory period and fulfilled its regulatory requirements in accordance with the provisions of Article 40.2 of Tax Dispute and Violation Committee Procedures, it should be accepted in form.

On Merits: The Appellate Department, having taken cognizance of documents and examined the documents included therein, and after reviewing memorandums and answers provided by both parties, found that the decision delivered by the Primary Committee ruled to dismiss the Case filed by Appellant (...) against Appellee (...). Appellant requests annulling Committee's decision, arguing its right to claim VAT amount arising from the sale of a real property to Appellee. The provisions of articles of the Agreement, the Law and the Regulations place the burden of tax liability and payment on the supplier of goods (Seller), who collects it from the recipient of the goods or services (Buyer). The sale in question has been established according to Property Transfer Deed No. (...), and it is confirmed that Appellant has paid VAT due to ZATCA for the real estate supply in question. Since the Appellate Department has consistently ruled that the buyer bears the responsibility for paying tax to the seller, the Department accepts the appeal and annuls the primary decision, subject matter of this Case.

Therefore, and after legal deliberation, the Department unanimously decided as follows:

Decision

First: Accept the appeal filed by (...), holder of National ID No., in form for submission during the period prescribed by law.

Second: Accept the appeal filed by (...), holder of National ID No., and annul Second Department to Adjudicate Value Added Tax Violations and Disputes in Riyadh Decision No. (VSR-2021-492), and oblige Appellee (...), C.R. No. (...), to pay Appellant (...), holder of National ID No., an amount of SAR (127,500) one hundred twenty-seven thousand five hundred Riyals, representing tax amount due for the real estate supply.

This decision was delivered in presence of both parties and is considered final and enforceable in accordance with Article (47) of Tax Dispute and Violation Committee Procedures

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.



Appellate Committee for Tax Violations and Disputes
First Appellate Department for Value Added Tax Violations
and Disputes
in Riyadh

Decision No.: VA-2022-61
Case No.: V-78328-2021

Key words:

Value-Added Tax – Sale of Real Property – Invoices – Accepting Appeal

Abstract

Appellant (Taxpayer) requests annulling Primary Committee's Decision No. (VSR-2021-1480), claiming Appellant's entitlement to VAT amount ensuing from the sale of multiple real properties to Appellee. The Department found that Appellant had paid the due VAT ensuing from the concluded sales with Appellee in accordance with ZATCA invoices. Therefore, the Department accepts the appeal and remands the Case.

Documents:

- Paragraph (2) of Article (40) of [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) dated 21/04/1441 AH](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)

Facts

Since facts of this case have been stated in the decision subject matter of appeal, Appellate Department refers to this decision for avoidance of repetition. Whereas the primary decision ruled to:

First: In form: Dismiss the Case in form in accordance with provisions of Article (41.2) of the Law of Civil Procedure.

Dissatisfied with this decision, Appellant submitted a statement of appeal to the Appellate Department, objecting to Primary Committee's decision that dismissed the claim in form in accordance with Paragraph (2) of Article (41) of the Law of Civil Procedure. Appellant requests annulling Committee's decision, asserting its entitlement to claim VAT amount ensuing from the sale of multiple real properties to Appellee, along with providing all supporting documents for the claim. Appellant concluded the statement of appeal by requesting the Department to accept the appeal and annul the primary decision.

On Tuesday 07/07/1443 AH corresponding to 08/02/2022 AD, the First Appellate Department for Value Added and Excise Tax Violations and Disputes held a session to consider the filed appeal via video conference in accordance with Paragraph (2) of Article (15) of Tax Dispute and Violation Committee Procedures that stipulates: Sessions of the Department may be held via modern technological means provided by the General Secretariat". Case file, along with all memoranda and documents, was reviewed, as well as decision of the Adjudication Department under appeal. After discussion and deliberation, the Department decided to adjourn the session and issue a decision.

Grounds



Based on Income Tax Law, issued under Royal Decree No. (M/1) dated 15/01/1425 AH, as amended by Royal Decree No. (M/113) dated 02/11/1438 AH, and after reviewing Tax Dispute and Violation Committee Procedures, issued under Royal Order No. (26040) dated 21/04/1441 AH.

Where the appeal was submitted by a person of capacity during the specified regulatory period and fulfilled its regulatory requirements in accordance with the provisions of Article 40.2 of Tax Dispute and Violation Committee Procedures, it should be accepted in form. On Merits: The Appellate Department, having taken cognizance of documents and examined the documents included therein, and after reviewing memorandums and answers provided by both parties, found that the decision delivered by the Primary Committee ruled to dismiss the Case in form in accordance with Paragraph (2) of Article (41) of the Law of Civil Procedure. Since Appellant requests annulling Committee's decision on the ground of its entitlement to claim VAT arising from the sale of multiple real properties to Appellee. Since the primary decision was based on Article (41) of the Law of Civil Procedure, arguing that Appellant filed multiple claims in a single statement of claim, while the submitted documents confirm that Appellant had filed a detailed statement of claim specifying reasons for objection and the claim against a single Appellee. Given that Appellant has paid the due VAT on the executed sales to Appellee as per ZATCA invoices. Therefore, the Appellate Department accepts the appeal and annuls the primary decision.

For the aforementioned grounds, and after legal deliberation, the Department unanimously decided as follows:

Decision

First: Accept the appeal filed (...) Company LTD, C.R. No. (...), in form for submission during the period prescribed by law.

Second: Accept the appeal filed by (...) Company LTD, C.R. No. (...), annul First Department to Adjudicate Value Added Tax Violations and Disputes in Jeddah Decision No. (VJ-2021-1480), and remand the Case for reconsideration on its merits.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.



Appellate Committee for Tax Violations and Disputes
First Appellate Department for Value Added Tax Violations
and Disputes
in Riyadh

Decision No.: VA-2022-82
Case No.: V-57198-2021

Key words:

Value-Added Tax Objection to Final Assessment – Export Services – Subject to Zero-Rated Tax – Dismissing Appeal

Abstract

Appellant (Taxpayer) requests annulling Primary Department's Decision No. (VD-2021-782), given that tax liabilities arising from the final assessment for tax period related to Q2_2019 are export services that are subject to zero-rated tax. The Department found that the contested decision was consistent with provisions of the Law and well-founded reasoning on which it was based, providing sufficient justification for its ruling, as the Department thoroughly examined the dispute and reached the conclusion included in its wording. Therefore, the Department dismisses the appeal and upholds the primary decision.

Documents:

- Paragraph (2) of Article (40) of [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) dated 21/04/1441 AH](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)

Facts

Since facts of this case have been stated in the decision subject matter of appeal, Appellate Department refers to this decision for avoidance of repetition. Whereas the primary decision ruled to:

First: In form:

Accept Plaintiff's case in form.

Second: On merits:

Dismiss the Case filed by (...) Company, C. R. No. (...) against ZATCA.

Dissatisfied with this decision, Appellant a statement of appeal to the Appellate Department, objecting to the primary decision that dismissed its claim. Appellant requests annulling of Department's decision, arguing that the tax liabilities arising from the final assessment for tax period related to Q2_2019 are export services subject to zero-rated tax. In addition, Appellant concluded the statement of appeal by requesting the Department to accept the appeal and annul the primary decision.

Having presented the same to Appellee, Appellee submitted an answer summarized as follows: "1. The First Department to Adjudicate Value Added Tax Violations and Disputes in Dammam upheld the ZATCA procedure, as it is consistent with provisions of the Law. Therefore, ZATCA insists on the reasoning stated therein, which confirms the validity and correctness of its procedure. 2. Regarding (Standard-Rated Local Sales) item, ZATCA states that it has reviewed the documents provided by Appellant and the agreement made by the parent company (...) that are services provided by Appellant within the Kingdom of



Saudi Arabia to the parent company, in violation of Article (33) of the Implementing Regulations of Value Added Tax Law. Accordingly, ZATCA added them to standard-rated local sales, as they did not meet the statutory requirements that would allow Appellant to classify them under exports subject to a zero-rated tax. Therefore, ZATCA insists on the validity of its decision in accordance with Article (14) of the Implementing Regulations of Value Added Tax Law. 3. ZATCA affirms that the amounts, subject matter of appeal, for which the Committee delivered a decision upholding ZATCA procedure in details. The Primary Department found that ZATCA procedure was in compliance with Value Added Tax Law and its Implementing Regulations, particularly concerning the three invoices issued by Appellant for a total amount of SAR 3,609,892.16 to (...) Company for providing supervisory services and representing parent company in (...) project in the Kingdom of Saudi Arabia. Appellant acknowledged on page two of its reply memorandum dated 01/04/2021 that the parent company is (...). As for the remaining invoices, the Primary Department found that ZATCA procedures were in accordance with the Value Added Tax Law and its Implementing Regulations”.

On Tuesday 29/06/1443 AH corresponding to 01/02/2022 AD, the First Appellate Department for Value Added and Excise Tax Violations and Disputes held a session to consider the filed appeal via video conference in accordance with Paragraph (2) of Article (15) of Tax Dispute and Violation Committee Procedures that stipulates: Sessions of the Department may be held via modern technological means provided by the General Secretariat”. Case file, along with all memoranda and documents, was reviewed, as well as decision of the Adjudication Department under appeal. After discussion and deliberation, the Department decided to adjourn the session and issue a decision.

Grounds

In accordance with Income Tax Law promulgated by Royal Decree No. (M/1) dated 15/01/1425 AH as amended by Royal Decree No. (M/113) dated 02/11/1438 AH, and having perused Tax Dispute and Violation Committee Procedures issued by Royal Order No. (26040) dated 21/04/1441 AH.

Where the appeal was submitted by a person of capacity during the specified regulatory period and fulfilled its regulatory requirements in accordance with the provisions of Article 40.2 of Tax Dispute and Violation Committee Procedures, it should be accepted in form.

On Merits: The Appellate Department, having taken cognizance of Case documents, and examined the memorandums and answers provided by both parties, found that the primary decision dismissed Plaintiff's claim regarding objection to the final assessment for tax period related to Q2_2019 and imposing error fine. Since the contested decision was consistent with provisions of the Law and based on well-founded reasoning and sufficient justification, as the Primary Department thoroughly examined the dispute and reached the conclusion included in its wording. Since the Appellate Department did not find any grounds for reconsideration or objection based on the arguments raised before it. Therefore, this Department determines that these arguments did not affect the outcome of decision. Therefore, this Department concludes to dismiss this appeal and uphold the primary decision for the grounds stated therein.

For the aforementioned grounds, and after legal deliberation, the Department unanimously decided as follows:

Decision

First: Accept the Appeal of /... C.R. No. (...) In form be submitted during regulatory period.



Second: Dismiss the appeal filed by ..., C.R. No. (...), and uphold First Department to Adjudicate Value Added Tax Violations and Disputes in Dammam Decision No. (VD-2021-782).

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.



Appellate Committee for Tax Violations and Disputes
First Appellate Department for Value Added Tax Violations
and Disputes
in Riyadh

Decision No.: VA-2022-83
Case No.: V-60724-2021

Key words:

Value Added Tax – Reassessment – Fine for Incorrect Filing – Late Payment Fine – Zero-Rated Taxable Sales – Accepted on Merits.

Abstract

Appellant (Taxpayer) requests annulling Primary Department's Decision No. (VJ-2021-901). The dispute involves Appellant's objection to Appellee (ZATCA) adjustment of zero-rated taxable sales, subjecting them to the standard VAT rate, arguing that part of the services was provided before the Law comes into effect and another part was reported in different tax returns. The Department found that the primary decision broadly addressed the issue of zero-rated contracts without sufficiently analyzing specifics of Appellant's case. Regarding the fine for incorrect filing, since it resulted from the reassessment and modification of Appellant's VAT return for September 2018, the Appellate Department decided to accept the appeal on this matter. Given that the late payment fine was a consequence of the reassessment, it shall have the same effect. Regarding the late payment fine, since it resulted from the reassessment and adjustment of VAT return filed by Appellant for September 2018, and given that the Appellate Department accepted the appeal regarding the above items, and the late payment fine arose from the same. Therefore, the Department accepts the appeal and remands the Case.

Documents:

- Paragraph (2) of Article (40) of [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) dated 21/04/1441 AH](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)

Facts

Since facts of this case have been stated in the decision, subject matter of appeal, the Appellate Department refers thereto to avoid repetition. Whereas the primary decision ruled to:

First: In form: Accept the Case in form.

Second: On merits:

- Dismiss Plaintiff's claim regarding (Standard-Rated Local Sales) item arising from the final assessment notice for December 2018 AD since Defendant's decision was proved to be valid.



- Dismiss Plaintiff's claim regarding (Standard-Rated Local Purchases) item arising from the final assessment notice for December 2018 AD since Defendant's decision was proved to be valid.
- Dismiss Plaintiff's claim regarding (Fine for Error in Filing) item arising from the final assessment notice for December 2018 AD since Defendant's decision was proved to be valid.
- Dismiss Plaintiff's claim regarding (Late Payment Fine) item arising from the final assessment notice for December 2018 AD since Defendant's decision was proved to be valid.

Dissatisfied with this decision, Appellant submitted a statement of appeal to the Appellate Department, objecting to the primary decision that dismissed its claim in which Appellant requests annulling decision of Appellee (ZATCA) regarding the reassessment for September 2018 and the arising fines. Appellant requests annulling primary decision on the ground that its sales are subject to zero-rated tax, arguing that part of the services was provided before the Law comes into effect and another part was reported in different tax returns. In addition, Appellant concluded the statement of appeal by requesting the Department to accept the appeal and annul Committee's decision.

In response to Appellant statement, Appellee submitted a counter-argument, summarized as follows: "1. Regarding Plaintiff's appeal against (Standard-Rated Local Sales) item, ZATCA informs the Honorable Department that it insists on the primary decision, as it aligns with provisions of Article (26) of Value Added Tax Law. 2. Regarding Plaintiff's appeal against (Standard-Rated Local Purchases) item, ZATCA affirms that it insists on the primary decision. Since Taxpayer did not provide any supporting documents to substantiate its position either in its objection or during Case proceedings. Therefore, Taxpayer's objection to this item was dismissed, as upheld by the Primary Department".

On Tuesday 29/06/1443 AH, corresponding to 01/02/2022 AD, the First Appeal Department for Value Added and Excise Tax Violations and Disputes held a session via video conference to hear the appeal based on Article 15.2 of Tax Dispute and Violation Committee Procedures, which stipulates that: "Circuit sessions may be held using modern technological means provided by the General Secretariat". Case file, along with all memorandums and documents, were reviewed, as well as decision of the Primary Department, subject matter of appeal. After discussion and deliberation, the Department decided to adjourn the session and deliver a decision.

Grounds

Based on Income Tax Law, issued under Royal Decree No. (M/1) dated 15/01/1425 AH, as amended by Royal Decree No. (M/113) dated 02/11/1438 AH, and after reviewing Tax Dispute and Violation Committee Procedures, issued under Royal Order No. (26040) dated 21/04/1441 AH.

Where the appeal was submitted by a person of capacity during the specified regulatory period and fulfilled its regulatory requirements in accordance with the provisions of Article 40.2 of Tax Dispute and Violation Committee Procedures, it should be accepted in form.

On Merits: The Appellate Department, having taken cognizance of documents and examined the documents included therein, and after reviewing memorandums and answers provided by both parties, found that Appellant objects to Department's decision that dismissed its claim regarding the reassessment for September 2018, the fine for filing an incorrect return and late payment fine. Regarding (Standard-Rated Local Sales) item, the dispute involves Appellant's objection to Appellee (ZATCA) amendment of zero-rated sales and subjecting them to the standard VAT rate, arguing that part of these services was supplied before the Law comes into effect and another part was declared in other tax returns. Having reviewed the provided data and documents, the Appellate Department



found that the dispute involves the sales category, which includes several invoices detailed as follows: 1. Zero-rated invoices related to contracts made before 31/05/2017 AD. 2. Invoices for which payments were received before the Value Added Tax Law came into effect. 3. Invoices issued with earlier dates. Since the primary decision was based on the entire category, addressing the applicability of zero-rated contracts to Appellant's case without a substantive analysis, and given that the Primary Department did not provide a detailed response to Appellant's objections despite of being raised before the Primary Department. Therefore, the Appellate Department accepts the appeal and annuls the primary decision.

Regarding the fine for filing an incorrect return, since the fine resulted from the reassessment and adjustment made by Appellee to VAT return filed by Appellant for September 2018, and given that the Appellate Department has accepted the appeal regarding the aforementioned item, the late payment fine, which is a direct consequence thereof, shall have the same effect. Therefore, the Appellate Department accepts the appeal and annuls the primary decision.

Regarding the late payment fine, since the fine resulted from the reassessment and adjustment made by Appellee to VAT return filed by Appellant for September 2018, and given that the Appellate Department has accepted the appeal regarding the aforementioned item, the late payment fine, which is a direct consequence thereof, shall have the same effect. Therefore, the Appellate Department accepts the appeal and annuls the primary decision.

For the aforementioned grounds, and after legal deliberation, the Department unanimously decided as follows:

Decision

First: Accept the appeal filed by (...), holder of National ID No., in his capacity as owner of (...) Enterprise, C. R. No. (...) in form for submission during the period prescribed by law.

Second: Accept the appeal filed by (...), holder of National ID No., annul First Department to Adjudicate Value Added Tax Violations and Disputes in Jeddah Decision No. (VJ-2021-901) and remand the Case to the Primary Department.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.



Appellate Committee for Tax Violations and Disputes
First Appellate Department for Value Added Tax Violations
and Disputes
in Riyadh City

Decision No.: VA-2022-84
Case No.: V-65107-2021

Key words:

Value Added Tax – International Transport Services – Zero-Rated Supplies – Dismissing Appeal

Abstract

Appellant (ZATCA) requests annulling Primary Department's Decision No. (VSR-2021-387) since the amounts subject matter of assessment are arising from zero-rated supplies due to the fact that they are international transport services. The Department found that the contested decision in this dispute was consistent with provisions of the Law and reasons on which it was based that are sufficient to support its ruling, since the Primary Department thoroughly examined the dispute and reached the conclusion stated in its wording. Therefore, the Department dismisses the appeal and upholds the primary decision.

Documents:

- Paragraph (2) of Article (40) of [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) dated 21/04/1441 AH](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)

Facts

Since facts of this case have been stated in the decision subject matter of appeal, Appellate Department refers to this decision for avoidance of repetition. Whereas the primary decision ruled to:

First: In form: Accept Plaintiff's case in form.

Second: On merits:

- Dismiss the claim filed by Plaintiff Company (-), C.R. No. (...), regarding the final assessment (Zero-Rated Tax Local Sales) for tax period in question.
- Establish resolution of the dispute regarding the fine for error in filing for tax period in question.
- Establish resolution of the dispute regarding the late payment fine for tax period in question.

Dissatisfied with this decision, Appellant submitted a statement of appeal to the Appellate Department, objecting to the primary decision that dismissed its claim. Appellant requests annulling Department's decision, arguing that the amounts subject matter of assessment arise from zero-rated supplies that are considered international transport services. In addition, Appellant concluded the statement of appeal by requesting the Department to accept the appeal and annul the primary decision.



Having presented the same to Appellee, Appellee submitted an answer summarized as follows: “1. The Second Department to Adjudicate Value Added Tax Violations and Disputes in Riyadh upheld ZATAC procedure, confirming its compliance with provisions of the Law. Therefore, ZATCA insists on the reasoning provided, which supports the validity and correctness of ZATCA procedure. 2. Regarding (Standard-Rated Local Sales) item, we would like to state that the decision aligns with Article (14) of the Implementing Regulations of Value Added Tax Law. Furthermore, all provisions of the Common Agreement, Law, and Implementing Regulations related to international transport indicate that such transport must be from the Kingdom of Saudi Arabia to outside the country, not the other way around, which excludes Appellant’s activity from being considered as ancillary services to international transport”.

On Tuesday 29/06/1443 AH corresponding to 01/02/2022 AD, the First Appellate Department for Value Added and Excise Tax Violations and Disputes held a session to consider the filed appeal via video conference in accordance with Paragraph (2) of Article (15) of Tax Dispute and Violation Committee Procedures that stipulates: Sessions of the Department may be held via modern technological means provided by the General Secretariat”. Case file, along with all memoranda and documents, was reviewed, as well as decision of the Adjudication Department under appeal. After discussion and deliberation, the Department decided to adjourn the session and issue a decision.

Grounds

Based on Income Tax Law, issued under Royal Decree No. (M/1) dated 15/01/1425 AH, as amended by Royal Decree No. (M/113) dated 02/11/1438 AH, and after reviewing Tax Dispute and Violation Committee Procedures, issued under Royal Order No. (26040) dated 21/04/1441 AH.

Where the appeal was submitted by a person of capacity during the specified regulatory period and fulfilled its regulatory requirements in accordance with the provisions of Article 40.2 of Tax Dispute and Violation Committee Procedures, it should be accepted in form.

On Merits: The Appellate Department, having taken cognizance of Case documents, and examined the memorandums and answers provided by both parties, found that the primary decision dismissed Plaintiff’s claim regarding objection to tax period related to Q4_2018. Since the contested decision was based on well-founded reasoning and sufficient justification, as the Primary Department thoroughly examined the dispute and reached the conclusion included in its wording. Since the Appellate Department did not find any grounds for reconsideration or objection based on the arguments raised before it. Therefore, this Department determines that these arguments did not affect the outcome of decision. Therefore, this Department concludes to dismiss this appeal and uphold the primary decision for the grounds stated therein.

For the aforementioned grounds, and after legal deliberation, the Department unanimously decided as follows:

Decision

First: Accept the appeal filed by (...), C. R. No. (...) In form be submitted during regulatory period.

Second: Dismiss the appeal filed by (...), C.R. No. (...), and uphold Second Department to Adjudicate Value Added Tax Violations and Disputes in Riyadh Decision No. (VSR-2021-387).

May Allah’s Blessings and Peace be upon our Prophet Muhammad and his family and companions.





Appellate Committee for Tax Violations and Disputes
First Appellate Department for Value Added Tax Violations
and Disputes
in Riyadh

Decision No.: VA-2022-87
Case No.: V-71043-2021

Key words:

Value Added Tax – Real Property Sale – Dismissing Appeal

Abstract

Appellant (Taxpayer) requests annulling Primary Committee's Decision No. (VJ-2021-1167), arguing that Taxpayer is entitled to receive VAT resulting from sale of a real property to Appellee. The Department found that the contested decision in this dispute was consistent with provisions of the Law and reasons on which it was based that are sufficient to support its ruling, since the Primary Department thoroughly examined the dispute and reached the conclusion included in its wording. Therefore, the Department dismisses the appeal and upholds the primary decision.

Documents:

- Paragraph (2) of Article (40) of [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) dated 21/04/1441 AH](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)

Facts

Since facts of this case have been stated in the decision subject matter of appeal, Appellate Department refers to this decision for avoidance of repetition. Whereas the primary decision ruled to:

First: In form: Accept the case in form.

Second: On merits:

Dismiss the claim filed by Plaintiff due to insufficient documents.

Dissatisfied with this decision, Appellant submitted a statement of appeal to the Appellate Department, objecting to Primary Committee's decision that dismissed its claim against Appellee (...). Appellant requests annulling Committee's decision, asserting its right to claim VAT amount resulting from the sale of property to Appellee. In addition, Appellant concluded the statement of claim by requesting the Department to accept the Appeal and annul Primary Committee's decision.

On Tuesday, 02/06/1443 AH corresponding to 05/01/2022 AD, the First Appellate Department for Value Added and Excise Tax Violations and Disputes held a session to consider the appeal via video conference in accordance with Paragraph (2) of Article (15) of Tax Dispute and Violation Committee Procedures that stipulates: "Circuit sessions may be held using modern technological means provided by the General Secretariat". Case file, along all memorandums and documents, were reviewed, as well as decision of the Primary Department, subject matter of appeal. After discussion and deliberation, the Department



decided to adjourn consideration of the Case for Monday, 28/06/1443 AH corresponding to 31/01/2022 AD, 01:00 PM, provided that the parties are notified to appear.

On Monday 28/06/1443 AH corresponding to 31/01/2022 AD, First Appellate Department for Value Added and Excise Tax Violations and Disputes held a session to consider the appeal filed via video conference in accordance with Paragraph (2) of Article (15) of Tax Dispute and Violation Committee Procedures that stipulates: “A circuit may hear the case using modern technological means provided by the General Secretariat”. Case file, including all memorandums and documents, and the primary decision, subject matter of appeal, were reviewed. Having called the parties, the Department found that Appellant (...), holder of National ID No. (...), appeared. In addition, the representative of Appellee (...), holder of National ID No. (...), appeared under POA No. (...). Therefore, the Department decided to open pleadings. Having asked Appellant about the claim, Appellant answered as follows: that does not differ from the previous statements, and that he satisfies with the statement of appeal and memorandums filed through the portal of the General Secretariat of Tax Dispute and Violation Committees, in addition to insisting on the evidence and arguments included therein. Having presented the same to Appellee's representative, he gave an answer His principal paid tax and delivered him a check of soled property value and another check of tax value, satisfying with the memorandums submitted via the portal of the General Secretariat of Tax Dispute and Violation Committees, in addition to insisting on the evidence and arguments presented therein. Having asked both parties if they would like to add any statements, they satisfied with their earlier submissions. Therefore, the Department decided to adjourn the Case for taking cognizance, further study and delivering a decision.

Grounds

Based on Income Tax Law, issued under Royal Decree No. (M/1) dated 15/01/1425 AH, as amended by Royal Decree No. (M/113) dated 02/11/1438 AH, and after reviewing Tax Dispute and Violation Committee Procedures, issued under Royal Order No. (26040) dated 21/04/1441 AH.

Where the appeal was submitted by a person of capacity during the specified regulatory period and fulfilled its regulatory requirements in accordance with the provisions of Article 40.2 of Tax Dispute and Violation Committee Procedures, it should be accepted in form. On Merits: The Appellate Department, having taken cognizance of Case documents and examined the documents included therein, and after reviewing memorandums and answers provided by both parties, found that the decision delivered by the Primary Department ruled to accept the Case filed by Appellant (...) against Appellee (...). Since it is established that the contested decision regarding the dispute, subject matter of consideration, is consistent with provisions of the Law and is based on sound reasoning sufficient to support its ruling, since the Primary Department thoroughly examined the dispute and reached the conclusion stated in its wording. Since the Appellate Department did not find any grounds for reconsideration or objection in light of the arguments raised before it. Therefore, this Department concludes that such arguments have no effect on the outcome of decision. Therefore, this Department concludes to dismiss this appeal and uphold the primary decision for the grounds stated therein.

For the aforementioned grounds, and after legal deliberation, the Department unanimously decided as follows:

Decision



First: Accept the appeal filed by (...), holder of National ID No., in his capacity as owner of (...) Enterprise, C. R. No. (...) in form for submission during the period prescribed by law.

Second: Dismiss the appeal filed by (...), holder of National ID No., and uphold the decision rendered by the First Department to Adjudicate Value Added Tax Violations and Disputes in Riyadh.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.



Appellate Committee for Tax Violations and Disputes
First Appellate Department for Value Added Tax Violations
and Disputes
in Riyadh

Decision No.: VA-2022-94
Case No.: V-60915-2021

Key words:

Value Added Tax – Tax Period – Fines – Dismissing Appeal

Abstract

Appellant (Taxpayer) requests annulling Primary Committee's Decision No. (VJ-2021-889) regarding objection to tax period of February 2019 and the arising fines. Appellant's objection involves tax period of January 2019 and the arising fines, as stated in the submitted statement. Since the Department found that the contested decision was consistent with provisions of the Law and based on well-founded reasoning and sufficient justification, as the Primary Department thoroughly examined the dispute and reached the conclusion stated in its wording. Therefore, the Department dismisses the appeal and upholds the primary decision.

Documents:

- Paragraph (2) of Article (40) of [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) dated 21/04/1441 AH](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)

Facts

Since facts of this case have been stated in the decision subject matter of appeal, Appellate Department refers to this decision for avoidance of repetition. Whereas the primary decision ruled to:

First: In form: Accept Plaintiff's case in form.

Second: On merits:

Dismiss Plaintiff's claim regarding (Standard-Rated Local Purchases for February 2019) since Defendant's decision was proven to be valid.

Dismiss Plaintiff's claim regarding the fine for error in filing for tax period related to February 2019 AD since Defendant's decision was proven to be valid.

Dismiss Plaintiff's claim regarding the late payment fine for tax period related to February 2019 AD since Defendant's decision was proven to be valid.

Dissatisfied with this decision, Appellant submitted a statement of appeal to the Appellate Department, objecting to the primary decision that dismissed its claim. Appellant requests annulling Department's decision, arguing that the amounts subject matter of assessment pertain to (Citizen Sales) item, rather than VAT sales. In addition, Appellant concluded the statement of appeal by requesting the Department to accept the appeal and annul the primary decision.

Having presented the same to Appellee, Appellee submitted an answer summarized as follows: "1. ZATCA found that Plaintiff included sales under the category of citizen sales, claiming that they resulted from providing healthcare services to Saudi citizens. During the



audit, ZATCA requested Plaintiff to provide documents related to these sales, but Plaintiff failed to provide the required documents to substantiate the claim. 2. ZATCA clarifies to the Honorable Department that it insists on the primary decision, as it was consistent with provisions of Article (66) of the Implementing Regulations of Value Added Tax Law”.

On Tuesday 22/06/1443 AH corresponding to 25/01/2022 AD, the First Appellate Department for Value Added and Excise Tax Violations and Disputes held a session to consider the filed appeal via video conference in accordance with Paragraph (2) of Article (15) of Tax Dispute and Violation Committee Procedures that stipulates: Sessions of the Department may be held via modern technological means provided by the General Secretariat”. Case file, along with all memoranda and documents, was reviewed, as well as decision of the Adjudication Department under appeal. After discussion and deliberation, the Department decided to adjourn the session and issue a decision.

Grounds

Based on Income Tax Law, issued under Royal Decree No. (M/1) dated 15/01/1425 AH, as amended by Royal Decree No. (M/113) dated 02/11/1438 AH, and after reviewing Tax Dispute and Violation Committee Procedures, issued under Royal Order No. (26040) dated 21/04/1441 AH.

Where the appeal was submitted by a person of capacity during the specified regulatory period and fulfilled its regulatory requirements in accordance with the provisions of Article 40.2 of Tax Dispute and Violation Committee Procedures, it should be accepted in form. On Merits: The Appellate Department, having taken cognizance of Case documents, and examined the memorandums and answers provided by both parties, found that the primary decision dismissed Plaintiff's claim regarding objection to tax period related to February 2019 and the arising fines, given that Appellant objects to tax period related to January 2019 and the arising fines in accordance with the submitted statement. Since the contested decision was consistent with provisions of the Law and based on well-founded reasoning and sufficient justification, as the Primary Department thoroughly examined the dispute and reached the conclusion stated in its wording. Since the Appellate Department did not find any grounds for reconsideration or objection based on the arguments raised before it. Therefore, this Department determines that these arguments did not affect the outcome of decision. Therefore, this Department concludes to dismiss this appeal and uphold the primary decision for the grounds stated therein.

Therefore, and after legal deliberation, the Department unanimously decided as follows:

Decision

First: Accept the appeal filed by (...) Company C. R. No. (...) In form be submitted during regulatory period.

Second: Dismiss the appeal filed by (...) Company C. R. No. (...) and uphold First Department to Adjudicate Value Added Tax Violations and Disputes in Jeddah Decision No. (VJ-2021-889).

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.



Riyadh Committee for Tax Violations and Disputes
First Riyadh Department for Value Added Tax Violations
and Disputes
in Riyadh

Decision No.: VA-2022-100
Case No.: V-62290-2021

Key words:

Value Added Tax – Amending Tax Period – Dismissing Appeal

Abstract

Appellant (Taxpayer) requests annulling Primary Committee's Decision No. (VJ-2021-959) regarding its objection to tax period related to December 2018. The Department found that the contested decision in this dispute was consistent with provisions of the Law and reasons on which it was based and sufficient to support its ruling, since the Primary Department thoroughly examined the dispute and reached the conclusion stated in its wording. Accordingly, this Department decided to dismiss the Appeal and uphold the Primary decision.

Documents:

- Paragraph (2) of Article (40) of [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) dated 21/04/1441 AH](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)

Facts

Since facts of this case have been stated in the decision subject matter of appeal, Appellate Department refers to this decision for avoidance of repetition. Whereas the primary decision ruled to:

First: In form:

Accept Plaintiff's case in form.

Second: On merits:

Dismiss the claim filed by (...), C.R. No. (...), regarding objection to Defendant's decisions related to tax period in question (December 2018).

Dissatisfied with this decision, Appellant submitted a statement of appeal to the Appellate Department, objecting to the primary decision that dismissed its claim. Appellant requests annulling Department's decision due to the incorrect amendment made by Appellee to tax period for December 2018, in addition to depriving Company of its right to fully deduct input VAT. In addition, Appellant concluded the statement of appeal by requesting the Department to accept the appeal and annul the primary decision.

Having presented the same to Appellee, Appellee submitted an answer summarized as follows: "ZATCA clarifies to the Honorable Department that it insists on the primary decision, as the decision is consistent with provisions of Article (47) of the Implementing Regulations of Value Added Tax Law. Furthermore, Appellant acknowledged before ZATCA during objection phase that it failed to declare the amounts, which are subject to the reverse charge mechanism".



On Tuesday 22/06/1443 AH corresponding to 25/01/2022 AD, the First Appellate Department for Value Added and Excise Tax Violations and Disputes held a session to consider the filed appeal via video conference in accordance with Paragraph (2) of Article (15) of Tax Dispute and Violation Committee Procedures that stipulates: Sessions of the Department may be held via modern technological means provided by the General Secretariat”. Case file, along with all memoranda and documents, was reviewed, as well as decision of the Adjudication Department under appeal. After discussion and deliberation, the Department decided to adjourn the session and issue a decision.

Grounds

Based on Income Tax Law, issued under Royal Decree No. (M/1) dated 15/01/1425 AH, as amended by Royal Decree No. (M/113) dated 02/11/1438 AH, and after reviewing Tax Dispute and Violation Committee Procedures, issued under Royal Order No. (26040) dated 21/04/1441 AH.

Where the appeal was submitted by a person of capacity during the specified regulatory period and fulfilled its regulatory requirements in accordance with the provisions of Article 40.2 of Tax Dispute and Violation Committee Procedures, it should be accepted in form. On Merits: The Appellate Department, having taken cognizance of Case documents, and examined the memorandums and answers provided by both parties, found that the primary decision dismissed Plaintiff’s claim regarding objection to tax period related to December 2018. Since the contested decision was based on well-founded reasoning and sufficient justification, as the Primary Department thoroughly examined the dispute and reached the conclusion included in its wording. Since the Appellate Department did not find any grounds for reconsideration or objection based on the arguments raised before it. Therefore, this Department determines that these arguments did not affect the outcome of decision. Therefore, this Department concludes to dismiss this appeal and uphold the primary decision for the grounds stated therein.

Therefore, and after legal deliberation, the Department unanimously decided as follows:

Decision

First: Accept the appeal filed by (...) Company, C.R. No. (...), In form be submitted during regulatory period.

Second: dismiss the appeal filed by (...), C.R. No. (...), and uphold First Department to Adjudicate Value Added Tax Violations and Disputes in Jeddah Decision No. (VJ-2021-959).

May Allah’s Blessings and Peace be upon our Prophet Muhammad and his family and companions.



Appellate Committee for Tax Violations and Disputes
First Appellate Department for Value Added Tax Violations
and Disputes
in Riyadh City

Decision No.: VA-2022-123
Case No.: V-57583-2021

Key words:

Value Added Tax – Reassessment – Cash Basis – Dismissing Appeal

Abstract

Appellant (Taxpayer) requests annulling Committee's Decision No. (VR-2021-215) because Appellant paid the amounts in question during the tax period for Q1_2019 as a result of following the cash basis. The Department found that the contested decision in this dispute was consistent with provisions of the Law and reasons on which it was based and sufficient to support its ruling, since the Primary Department thoroughly examined the dispute and reached the conclusion stated in its wording. Therefore, the Department dismisses the appeal and upholds the primary decision.

Documents:

- Paragraph (2) of Article (40) of [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) dated 21/04/1441 AH](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)

Facts

Since facts of this case have been stated in the decision subject matter of appeal, Appellate Department refers to this decision for avoidance of repetition. Whereas the primary decision ruled to:

First: In form: Accept the case in form.

Second: On merits:

Dismiss the claim filed by Plaintiff (...), holder of National ID No., in his capacity as owner of (...) Office, C.R. No. (...), by annulling ZATCA decision regarding the reassessment of Q4_2018 and imposing VAT in the amount of SAR 42,893.15, a fine for an error in the return amounting to SAR 17,157, and a late payment fine of SAR 30,025.22. Dissatisfied with this decision, Appellant submitted a statement of appeal to the Appellate Department, objecting to the Primary Committee's decision in question that dismissed the Case on merits, since Appellant paid the amounts in question in tax period related to Q1_2019 as a result of following cash basis method. In addition, Appellant concluded the statement of appeal by requesting the Department to accept the appeal and annul the primary decision.

Having presented the statement of appeal to Appellee, Appellee submitted an answer summarized as follows: "1. ZATCA maintains its position stated in the memorandum submitted before the Primary Committee regarding the appealed items. 2. The points raised by Appellant do not differ from what was previously presented before the Primary Committee, to which ZATCA has already answered at that time. ZATCA insists on the



reasoning stated in Primary Committee's decision, which upheld the validity and correctness of its procedure".

On Wednesday, 15/07/1443 AH corresponding to 16/02/2022 AD, First Appellate Department for Value Added Tax and Excise Goods Violations and Disputes held a session to consider the appeal submitted via video conference in accordance with Paragraph (2) of Article (15) of Tax Dispute and Violation Committee Procedures that stipulates: "Circuit sessions may be held using modern technological means provided by the General Secretariat". Case file, including all memorandums and documents, and Primary Department's decision, subject matter of appeal, were reviewed. After discussion and deliberation, the Department decided to adjourn the session and issue decision.

Grounds

Based on Income Tax Law, issued under Royal Decree No. (M/1) dated 15/01/1425 AH, as amended by Royal Decree No. (M/113) dated 02/11/1438 AH, and after reviewing Tax Dispute and Violation Committee Procedures, issued under Royal Order No. (26040) dated 21/04/1441 AH.

Where the appeal was submitted by a person of capacity during the specified regulatory period and fulfilled its regulatory requirements in accordance with the provisions of Article 40.2 of Tax Dispute and Violation Committee Procedures, it should be accepted in form. On Merits: The Appellate Department, having taken cognizance of Case documents, and examined the memorandums and answers provided by both parties, found that the primary decision dismissed the claim filed by (...). Since the contested decision was consistent with provisions of the Law and based on well-founded reasoning and sufficient justification, as the Primary Department thoroughly examined the dispute and reached the conclusion stated in its wording. Since the Appellate Department did not find any grounds for reconsideration or objection based on the arguments raised before it. Therefore, this Department determines that these arguments did not affect the outcome of decision. Therefore, this Department concludes to dismiss this appeal and uphold the primary decision for the grounds stated therein.

For the aforementioned grounds, and after legal deliberation, the Department unanimously decided as follows:

Decision

First: Accept the appeal filed by (...), holder of National ID No., in his capacity as owner of (...) Enterprise, C. R. No. (...) in form for submission during the period prescribed by law.

Second: Dismiss the appeal filed by (...), holder of National ID No., and uphold the First Department to Adjudicate Value Added Tax Violations and Disputes in Riyadh Decision No. (VR-2021-215).

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.



Appellate Committee for Tax Violations and Disputes
First Appellate Department for Value Added Tax Violations
and Disputes
in Riyadh

Decision No.: VA-2022-125
Case No.: V-60765-2021

Key words:

Value Added Tax – Objection to Tax Period – Exports Subject to Zero-Rated Tax – Dismissal on Merits

Abstract

Appellant (Taxpayer) requests annulling Committee's Decision No. (VTR-2021-377) regarding its objection to tax period related to Q1_2019 and the arising fines. The Department found that the contested decision in this dispute was consistent with provisions of the Law and reasons on which it was based and sufficient to support its ruling, since the Primary Department thoroughly examined the dispute and reached the conclusion stated in its wording. Therefore, the Department dismisses the appeal and upholds the primary decision.

Documents:

- Paragraph (2) of Article (40) of [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) dated 21/04/1441 AH](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)

Facts

Since facts of this case have been stated in the decision subject matter of appeal, Appellate Department refers to this decision for avoidance of repetition. Whereas the primary decision ruled to:

First: In form:

- - Accept the Case in form.

Second: On merits:

- - Dismiss the Case filed by Plaintiff (Branch of ... Company), C.R. No. (...).

Dissatisfied with this decision, Appellant submitted a statement of appeal to the Appellate Department, objecting to the primary decision that dismissed its claim. Appellant requests annulling Department's decision, arguing that the amount, subject matter of assessment, pertain to (Zero-Rated Exports) in accordance with Articles (33) of the Implementing Regulations of Value Added Tax Law. In addition, Appellant concluded the statement of appeal by requesting the Department to accept the appeal and annul the primary decision. Having presented the same to Appellee, Appellee submitted an answer summarized as follows: "1. ZATCA maintains its position stated in the memorandum submitted before the Primary Committee regarding the appealed items. 2. The points raised by Appellant do not differ from what was previously presented before the Primary Committee, to which



ZATCA has already answered at that time. ZATCA insists on the reasoning stated in Primary Committee's decision, which upheld the validity and correctness of its procedure". On Tuesday 29/06/1443 AH corresponding to 01/02/2022 AD, the First Appellate Department for Value Added and Excise Tax Violations and Disputes held a session to consider the filed appeal via video conference in accordance with Paragraph (2) of Article (15) of Tax Dispute and Violation Committee Procedures that stipulates: "A circuit may hear the case using modern technological means provided by the General Secretariat". The Department, having reviewed the case file, the parties' submissions and the appealed decision, after discussion and deliberation, the Department decided to adjourn consideration of the Case for Monday, 14/07/1443 AH corresponding to 15/02/2022 AD, 02:00 PM, provided that the parties are notified to appear.

On Tuesday 14/07/1443 AH corresponding to 15/02/2022 AD, the First Appellate Department for Value Added and Excise Tax Violations and Disputes held a session to consider the filed appeal via video conference in accordance with Paragraph (2) of Article (15) of Tax Dispute and Violation Committee Procedures that stipulates: "A circuit may hear the case using modern technological means provided by the General Secretariat". Case file, all memorandums, documents, and Primary Department's decision, subject matter of appeal, were reviewed. Having called the parties, the Department found that ..., holding Residence No. (...), appeared in his capacity as the legal representative of Appellant Company. In addition, ..., holder of National ID No. (...), appeared in his capacity as the representative of Appellee (ZATCA) under Authorization No. (...) dated ... issued by Vice Governor for Legal Affairs, with a copy attached to Case file. Therefore, the Department decided to open pleadings. Having asked the legal representative of Appellant Company about the claim, he gave an answer that does not differ from the previous statements, and that he satisfies with the statement of appeal and memorandums filed through the portal of the General Secretariat of Tax Dispute and Violation Committees, in addition to insisting on the evidence and arguments included therein. Having presented the same to Appellee's representative, he gave an answer that does not differ from the statements included in the answer, satisfying with the memorandum submitted via the portal of the General Secretariat of Tax Dispute and Violation Committees, in addition to insisting on the evidence and arguments presented therein. Having asked both parties if they would like to add any statements, they satisfied with their earlier submissions. Therefore, the Department decided to adjourn the Case for taking cognizance, deliberation and delivering a decision.

Grounds

Based on Income Tax Law, issued under Royal Decree No. (M/1) dated 15/01/1425 AH, as amended by Royal Decree No. (M/113) dated 02/11/1438 AH, and after reviewing Tax Dispute and Violation Committee Procedures, issued under Royal Order No. (26040) dated 21/04/1441 AH.

Where the appeal was submitted by a person of capacity during the specified regulatory period and fulfilled its regulatory requirements in accordance with the provisions of Article 40.2 of Tax Dispute and Violation Committee Procedures, it should be accepted in form. On Merits: The Appellate Department, having taken cognizance of Case documents, and examined the memorandums and answers provided by both parties, found that the primary decision dismissed Plaintiff's claim regarding objection to tax period related to Q1_2019 and the arising fines. Since the contested decision was based on well-founded reasoning and sufficient justification, as the Primary Department thoroughly examined the dispute



and reached the conclusion included in its wording. Since the Appellate Department did not find any grounds for reconsideration or objection based on the arguments raised before it. Therefore, this Department determines that these arguments did not affect the outcome of decision. Therefore, this Department concludes to dismiss this appeal and uphold the primary decision for the grounds stated therein.

For the aforementioned grounds, and after legal deliberation, the Department unanimously decided as follows:

Decision

First: Accept the appeal filed by (...), C.R. No. (...) In form be submitted during regulatory period.

Second: Dismiss the appeal filed by (...), C.R. No. (...), and uphold Third Department to Adjudicate Value Added Tax Violations and Disputes in Riyadh Decision No. (VTR-2021-377).

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.



Appellate Committee for Tax Violations and Disputes
First Appellate Department for Value Added Tax Violations
and Disputes
in Riyadh

Decision No.: VA-2022-126
Case No.: V-61050-2021

Key words:

Value-Added Tax - Objection to Final Assessment - Dismissing Objection

Abstract

Appellant (ZATCA) requests annulling Committee Decision No. (VJ-2021-903) regarding (Sales) item, which pertains to the final reassessment for Q4_2018 and amending resulting fines. However, the Department found that the contested decision in this dispute was consistent with the well-founded reasons on which it was based and sufficient to support its ruling, since the Primary Department thoroughly examined the dispute and reached the conclusion included in its wording. Therefore, the Department dismisses the appeal and upholds the primary decision.

Documents:

- Paragraph (2) of Article (40) of [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) dated 21/04/1441 AH](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)

Facts

Since facts of this case have been stated in the decision subject matter of appeal, Appellate Department refers to this decision for avoidance of repetition. Whereas the primary decision ruled to:

First: In form:

- - Accept the Case in form.

Second: On merits:

- Accept Plaintiff's claim regarding the standard-rated taxable local sales of Q4_2018.
- Dismiss Plaintiff's claim regarding the standard-rated taxable local purchases of Q4_2018.
- - Amend Defendant's decision regarding the penalty for error in the declaration resulting from reassessment of Q4_2018 in accordance with the first clause of decision wording.
- Amend Defendant's decision regarding the late payment fine arising from the reassessment of Q4_2018 in accordance with the first clause of decision wording.

Dissatisfied with this decision, Appellant submitted a statement of appeal to the Appellate Department, objecting to Committee's decision of accepting claim of Appellee regarding the standard-rated taxable local sales of Q4_2018 and to amend the arising fines. Appellant argued for annulling Committee's decision, citing Appellee's failure to provide the required documents to justify the variances between the financial statement report and VAT



declaration. Appellant concluded the statement of appeal with a request to accept the appeal and annul Committee's decision.

In response to Appellant statement, Appellee submitted a counter-argument, summarized as follows: "We received an e-mail from ZATCA on 04/12/2019 AD stating that they had attempted to contact us but received no response (we were unaware and did not notice any attempt to contact us). In the same e-mail, they requested proof of the variance between the amounts reported in our VAT returns and the revenue stated in the financial statements, amounting to SAR 7,210,749. While we were preparing required documents, we were surprised to receive another e-mail on 09/12/2019 (just four days later) informing us that, following a review, the VAT return for Q4_2018 had been reassessed. On 23/12/2019 AD, we submitted a review request No. (...) to ZATCA to object to the reassessment, explaining that the amount of SAR 7,210,749 represented revenue from 2017, as reflected in the financial statements for 2018. We also clarified that we were prepared to provide all necessary documents and supporting evidence. However, they rejected our review request and canceled the submission".

On Wednesday, 15/07/1443 AH corresponding to 16/02/2022 AD, First Appellate Department for Value Added Tax and Excise Goods Violations and Disputes held a session to consider the appeal submitted via video conference in accordance with Paragraph (2) of Article (15) of Tax Dispute and Violation Committee Procedures that stipulates: Circuit sessions may be held using modern technological means provided by the General Secretariat". Case file, along with all memorandums and documents, were reviewed, as well as decision of the Primary Department, subject matter of appeal. After discussion and deliberation, the Department decided to adjourn the session and deliver a decision.

Grounds

Based on Income Tax Law, issued under Royal Decree No. (M/1) dated 15/01/1425 AH, as amended by Royal Decree No. (M/113) dated 02/11/1438 AH, and after reviewing Tax Dispute and Violation Committee Procedures, issued under Royal Order No. (26040) dated 21/04/1441 AH.

Where the appeal was submitted by a person of capacity during the specified regulatory period and fulfilled its regulatory requirements in accordance with the provisions of Article 40.2 of Tax Dispute and Violation Committee Procedures, it should be accepted in form.

On Merits: The Appellate Department, having taken cognizance of Case documents, and examined the memorandums and answers provided by both parties, found that the primary decision annulled Appellant's decision regarding (Sales) item and the final reassessment for Q4_2018, along with amending the related fines. Since the contested decision was based on well-founded reasoning and sufficient justification, as the Primary Department thoroughly examined the dispute and reached the conclusion included in its wording. Since the Appellate Department did not find any grounds for reconsideration or objection based on the arguments raised before it. Therefore, this Department determines that these arguments did not affect the outcome of decision. Therefore, this Department concludes to dismiss this appeal and uphold the primary decision for the grounds stated therein.

For the aforementioned grounds, and after legal deliberation, the Department unanimously decided as follows:

Decision

First: Accept ZATCA appeal in form for being filed within the statutory period.

Second: Dismiss ZATCA appeal and uphold First Department to Adjudicate Value Added Tax Violations and Disputes in Jeddah Decision No. (VJ-2021-903).



May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.



Appellate Committee for Tax Violations and Disputes
First Appellate Department for Value Added Tax Violations
and Disputes
in Riyadh

Decision No.: VA-2022-130
Case No.: V-69771-2021

Key words:

Value-Added Tax - Final Assessment - Sales - Late Payment Fine

Abstract

Appellant (Taxpayer) requested annulling Committee Decision No. (VTR-2021-636), objecting to the rejection of its appeal regarding the final assessment notice of tax period related to Q4_2018 and imposing late payment penalty. Appellant also contested the classification of its local sales as subject to standard VAT rate, arguing that they should be zero-rated. The Department found that the contested decision was consistent with the applicable regulations and well-founded reasoning on which it was based, providing sufficient justification for its ruling, as the Department thoroughly examined the dispute and reached to the conclusion included in its wording. Regarding Appellant's objection to the late payment fine for tax period in question, Appellant requested canceling fines resulting from the reassessment conducted by Appellee, which included additional revenue from contracts made with a government agency and resulted in imposing late payment fine. Given that most contracts with such entities are adhesion contracts, where supplier has no ability to amend or add terms due to their governance under Government Tenders and Procurement Law, the Department determined that Appellant's failure to report and pay tax liabilities on time was not due to negligence in fulfilling its tax obligations. Furthermore, since this case relates to the initial year of Law enforcement and the potential confusion in its application among government entities, the Department considered these factors in its assessment. Therefore, the Department dismisses the appeal regarding the standard-rated local sales for tax period of Q4_2018, upholds the primary decision, accepts the appeal regarding late payment fine arising from the final assessment notice for the same tax period of Q4_2018, annuls Third Primary Department's decision and annuls decision of the Appellee (ZATCA) regarding the amount of imposed fine.

Documents:

- Paragraph (2) of Article (40) of [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) dated 21/04/1441 AH](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)

Facts

Since facts of this case have been stated in the decision subject matter of appeal, Appellate Department refers to this decision for avoidance of repetition. Whereas the primary decision ruled to:



First: In form:

Accept the Case in form.

Second: On merits:

Dismiss the Case filed by Plaintiff (...), C.R. No. (...).

Dissatisfied with this decision, Appellant submitted a statement of appeal to the Appellate Department, objecting to Committee's decision to dismiss its objection to Appellee's decision regarding the final assessment notice for the tax period related to Q4_2018 and the arising fines. Appellant objects to calculating standard-rate VAT on zero-rated amounts, as they outline payments from government contracts. Appellant concluded by requesting the Department to accept the Appeal and annul Committee's decision.

Having presented Appellant's statement of appeal to Appellee, Appellee replied as follows: "ZATCA would like to elaborate to the Honorable Department that it insists on the primary decision, which confirmed the validity of ZATCA decision to reassess Q4_2018 for Plaintiff. The reassessment was conducted after ZATCA found that Taxpayer's initial declaration was inaccurate, resulting in imposing late payment fine as stipulated by Article (43) of VAT Law that stipulates: "Any person who fails to pay the tax due within the period specified by the Regulations shall be subject to a fine equal to 5% of the amount of the unpaid tax for each month or part thereof for which the tax is not paid". This position was upheld by the Third Department to Adjudicate Value Added Tax Violations and Disputes in Riyadh, where Plaintiff acknowledged that the contracts presented as zero-rated sales, intended for deduction from VAT due, did not meet one of the regulatory conditions granting customer the right to deduct input VAT. Given that the breach of these conditions nullifies the right to claim the deduction, regardless of the reason, ZATCA decided to reject the objection".

On Tuesday 05/08/1443 AH, corresponding to 08/03/2022 AD, the First Appeal Department for Value Added and Excise Tax Violations and Disputes held a session via video conference to hear the appeal based on Article 15.2 of Tax Dispute and Violation Committee Procedures, which stipulates that: "Circuit sessions may be held using modern technological means provided by the General Secretariat". Case file, including all memorandums and documents, and Primary Department's decision, subject matter of appeal, were reviewed. After discussion and deliberation, the Department decided to adjourn the session and issue decision.

Grounds

Based on Income Tax Law, issued under Royal Decree No. (M/1) dated 15/01/1425 AH, as amended by Royal Decree No. (M/113) dated 02/11/1438 AH, and after reviewing Tax Dispute and Violation Committee Procedures, issued under Royal Order No. (26040) dated 21/04/1441 AH.

Where the appeal was submitted by a person of capacity during the specified regulatory period and fulfilled its regulatory requirements in accordance with the provisions of Article 40.2 of Tax Dispute and Violation Committee Procedures, it should be accepted in form.

On Merits: The Appellate Department, having taken cognizance of Case documents, examined the memorandums and replies provided by both parties, found that the primary decision ruled to dismiss the claim filed by (...) Company. Appellant objects to dismissing its objection regarding the final assessment notice for tax period related to Q4_2018 and imposing late payment fine regarding (Standard-Rate Tax Local Sales) item. Appellant argues that its sales are subject to zero-rated tax. However, it is established that the decision, subject matter of appeal, regarding the current dispute aligns with the Law and is based on sound reasoning sufficient to support its ruling, since the Primary Department examined the dispute and reached the conclusion included in its wording. Since the



Appellate Department did not find any grounds for reconsideration or objection based on the arguments raised before it. Therefore, this Department determines that these arguments did not affect the outcome of decision. Therefore, the Department dismisses the appeal and upholds Primary Committee's decision based on its grounds.

Regarding Appellant's objection to the primary decision that dismissed the request of (...) Company Since Appellant requests cancelling fines arising from Appellee's reassessment of tax period in question, which included additional revenue from contracts with a government agency and resulted in imposing late payment fine. Given that most contracts with such entities are adhesion contracts, where supplier has no ability to amend or add terms due to their governance under Government Tenders and Procurement Law, the Department determined that Appellant's failure to report and pay tax liabilities on time was not due to negligence in fulfilling its tax obligations. Furthermore, since this case relates to the initial year of Law enforcement and the potential confusion in its application among government entities, the Department accepts the appeal.

For the aforementioned grounds, and after legal deliberation, the Department unanimously decided as follows:

Decision

First: Accept the appeal filed by (...) Company, C.R. No. (...) in form for submission during the period prescribed by law.

Second: Dismiss the appeal filed by (...) Company C.R. No. (...) regarding standard-rate local sales for tax period of Q4_2018, and uphold the decision rendered by the First Department to Adjudicate Value Added Tax Violations and Disputes in Riyadh (...).

Third: Accept the appeal filed by (...) Company C.R. No. (...) regarding late payment fine arising from the final assessment notice for tax period of Q4_2018, annul Third Department to Adjudicate Value Added Tax Violations and Disputes in Riyadh Decision No. (...), and annul the decision of Appellee (ZATCA) regarding the imposed fine amount.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.



Appellate Committee for Tax Violations and Disputes
First Appellate Department for Value Added Tax Violations
and Disputes
in Riyadh

Decision No.: VA-2022-134
Case No.: V-72439-2021

Key words:

Value Added Tax – Objection to Final Assessment – Local Sales – Dismissing Appeal

Abstract

Appellant (ZATCA) requests annulling Primary Committee Decision No. (VTR-2021-621) regarding (Sales) item, which pertains to the final reassessment for Q3_2018 and Q1_2019. The Department found that the contested decision was based on well-founded reasoning and sufficient justification to support its ruling, since the Primary Department thoroughly examined the dispute and reached the conclusion included in its wording. Therefore, the Department ruled to dismiss ZATCA appeal and uphold the primary decision.

Documents:

- Paragraph (2) of Article (40) of [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) dated 21/04/1441 AH](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)

Facts

Since facts of this case have been stated in the decision subject matter of appeal, Appellate Department refers to this decision for avoidance of repetition. Whereas the primary decision ruled to:

First: In form: Accept the Case in form.

Second: On merits:

Accept the Case filed by Plaintiff (...), holder of National ID No. (...), In his capacity as Owner of (...) Enterprise, C.R. No. (...), and annul Defendant's decision.

Dissatisfied with this decision, Appellant submitted a statement of appeal to the Appellate Department, objecting to Committee's decision to accept the claim filed by Appellee and annul its decision regarding standard-rated local sales for Q3_2018 and Q1_2019. Appellant requests annulling Committee's decision and adding standard-rated sales amounts based on data provided by the Saudi Central Bank. Appellant concluded the statement of appeal with a request to accept the appeal and annul Committee's decision.

Having presented the statement of appeal to Appellee, Appellee submitted an answer summarized as follows: "The General Authority of Zakat and Tax (ZATCA) calculated sale values of point-of-sale transactions related to an enterprise owned by Taxpayer (...). ZATCA stated that the enterprise was previously owned by Taxpayer (...) during the period in question. Therefore, we attempted to prove that Taxpayer (...) did not own (...) Enterprise. Since the Ministry of Commerce clarified that a certificate of ownership can be requested but no certificate of non-ownership exists, we provided official documents that elaborate that the enterprise was owned by another taxpayer during the period in question".



On Wednesday, 15/07/1443 AH corresponding to 16/02/2022 AD, First Appellate Department for Value Added Tax and Excise Goods Violations and Disputes held a session to consider the appeal submitted via video conference in accordance with Paragraph (2) of Article (15) of Tax Dispute and Violation Committee Procedures that stipulates: Circuit sessions may be held using modern technological means provided by the General Secretariat". Case file, along with all memorandums and documents, were reviewed, as well as decision of the Primary Department, subject matter of appeal. After discussion and deliberation, the Department decided to adjourn the session and deliver a decision.

Grounds

Based on Income Tax Law, issued under Royal Decree No. (M/1) dated 15/01/1425 AH, as amended by Royal Decree No. (M/113) dated 02/11/1438 AH, and after reviewing Tax Dispute and Violation Committee Procedures, issued under Royal Order No. (26040) dated 21/04/1441 AH.

Where the appeal was submitted by a person of capacity during the specified regulatory period and fulfilled its regulatory requirements in accordance with the provisions of Article 40.2 of Tax Dispute and Violation Committee Procedures, it should be accepted in form.

On Merits: The Appellate Department, having taken cognizance of Case documents, and examined the memorandums and answers provided by both parties, found that the primary decision annulled Appellant's decision regarding (Sales) item and the final reassessment for Q3_ 2018 and Q1_2019. Since the contested decision was based on well-founded reasoning and sufficient justification, as the Primary Department thoroughly examined the dispute and reached the conclusion included in its wording. Since the Appellate Department did not find any grounds for reconsideration or objection based on the arguments raised before it. Therefore, this Department determines that these arguments did not affect the outcome of decision. Therefore, this Department concludes to dismiss this appeal and uphold the primary decision for the grounds stated therein.

For the aforementioned grounds, and after legal deliberation, the Department unanimously decided as follows:

Decision

First: Accept ZATCA appeal in form for being filed within the statutory period.

Second: Dismiss ZATCA Appeal and uphold Third Department to Adjudicate Value Added Tax Violations and Disputes in Riyadh Decision No. (...).

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.



Appellate Committee for Tax Violations and Disputes
First Appellate Department for Value Added Tax Violations
and Disputes
in Riyadh

Decision No.: VA-2022-135
Case No.: V-72549-2021

Key words:

Value Added Tax – Final Assessment – Late Payment Fine – Error Fine

Abstract

Appellant (Taxpayer) requests annulling Committee Decision No. (VD-2021-1045), objecting to dismissing its appeal regarding the final assessment result for March 2018 and imposing error fine and the late payment fine. Regarding (Standard-Rate Local Sales) item, Appellant argues that the standard VAT rate should not be applied to the contract made with (Company ...). Appellant argues that the contract in question is subject to zero-rated tax, as the Department found that the appeal is based on the claim that the contract in question includes the phrase “all taxes” without specification. Given that the contract was signed before 30/05/2017 AD, and before the approval and publication of the Common VAT Agreement of the States of the Gulf Cooperation Council (GCC) on 21/04/2017 AD, it would have been unreasonable to anticipate the application of VAT at that time. The apparent meaning of the contract’s wording suggests that it covers all taxes imposed at the time of signing. Regarding Appellant’s objection to the error fine related to the tax period in question, the Appellate Department accepted the appeal and annulled Committee’s decision. Since related matters shall have the same effect, the Department also accepted the appeal regarding the late payment fine and annulled Committee’s decision on that issue. Therefore, The Department accepts the appeal and annuls the primary decision.

Documents:

- Paragraph (2) of Article (40) of [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) dated 21/04/1441 AH](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)

Facts

Since facts of this case have been stated in the decision subject matter of appeal, Appellate Department refers to this decision for avoidance of repetition. Whereas the primary decision ruled to:

First: In form: Accept Plaintiff’s case in form.

Second: On merits: To dismiss Plaintiff case.

Dissatisfied with this decision, Appellant submitted a statement of appeal to the Appellate Department, objecting to the decision rendered by the Primary Committee, which ruled dismissing its claim in which Appellant requested annulling the decision of Appellee (ZATCA) regarding the reassessment for March 2018 and imposing VAT and the arising fines. Appellant requests annulling of Primary Committee’s decision on the ground that

the contract concluded with (...) Company was concluded before the implementation of VAT and meets the conditions stipulated in Paragraph (3) of Article (79) of the Implementing Regulations of VAT Law. Appellant concluded by requesting the Department to accept the appeal and annul Committee's decision.

In response to Appellant statement, Appellee submitted a counter-argument, summarized as follows: "1. ZATCA reaffirms its position as stated in the memorandum submitted before the Committee regarding the contested items. 2. The basis for ZATCA amendment of tax return filed by Appellant is the provisions of Paragraph (3) of Article (79) of the Implementing Regulations of VAT Law, which stipulates: "Any Supply of Goods or services made in respect of a contract which does not anticipate the application of VAT to the Supply may be treated as zero-rated by the Supplier". 3. The inclusion of term "taxes" in the contract renders it subject to the standard VAT rate, since the contract considered the application of VAT to be foreseeable. Accordingly, the supply cannot be treated at zero rate due to the lack of key condition, which is the unforeseeability of VAT application. 4. As a result of the audit and assessment process for the disputed tax period, a penalty for error in the tax return was imposed in accordance with Paragraph (1) of Article (42) of VAT Law, which stipulates: "Any Person who files an incorrect Tax Return to the Authority, amends a Tax Return after filing or files any document with the Authority in relation to the Tax due by him which results in an error in the calculation of the Tax amount resulting in an amount that is less than the Tax due shall be liable to a fine equal to (50%) of the value of the difference between the calculated Tax and the Tax due". Accordingly, a late payment fine was imposed for the months following the tax period in question, as previously explained, in accordance with provisions of Article (43) of VAT Law, which stipulates: "Any Person who fails to pay the Tax due during the period specified by the Regulations shall be liable to a fine equal to 5% of the value of the unpaid Tax for each month or part thereof for which the Tax has not been paid". 5. We also would like to inform Your Honorable Department that the claims raised by Plaintiff in the appeal do not differ from those previously presented before the Primary Committee, to which ZATCA has already answered at the time".

On Monday 04/08/1443 AH, corresponding to 07/03/2022 AD, the First Appeal Committee for Value Added and Excise Tax Violations and Disputes held a session to consider the appeal submitted via video conference, based on Article 15.2 of Tax Dispute and Violation Committee Procedures, which stipulates that: "Circuit sessions may be held using modern technological means provided by the General Secretariat". The decision rendered by the First Department to Adjudicate Value Added Tax Violations and Disputes in Riyadh was reviewed, in addition to taken cognizance of Case file and all attached memorandums. Having taken cognizance of arguments and documents provided by both parties, and in accordance with provisions of VAT Law, its Implementing Regulations and Tax Dispute and Violation Committee Procedures, the transcript was closed accordingly. In addition, the Department decided to continue considering the Case and deliver a ruling upon further examination and consideration.

Grounds

Based on Income Tax Law, issued under Royal Decree No. (M/1) dated 15/01/1425 AH, as amended by Royal Decree No. (M/113) dated 02/11/1438 AH, and after reviewing Tax Dispute and Violation Committee Procedures, issued under Royal Order No. (26040) dated 21/04/1441 AH.

Where the appeal was submitted by a person of capacity during the specified regulatory period and fulfilled its regulatory requirements in accordance with the provisions of Article 40.2 of Tax Dispute and Violation Committee Procedures, it should be accepted in form.



On Merits: The Appellate Department, having taken cognizance of Case documents and examined the documents included therein, and after reviewing memorandums and answers provided by both parties, found that the decision delivered by the Primary Department ruled to accept the Case filed by Plaintiff (... Company) against ZATCA. Since Appellant objects to dismissing its objection to the final assessment for March 2018 and imposing error fine and late payment fine. Regarding (Standard-Rate Local Sales) item, Appellant requests that the standard VAT rate not be imposed on the contract made with (... Company). Appellant argues that the contract in question is subject to zero-rated tax, as the Department found that the appeal is based on the claim that the contract in question includes the phrase “all taxes” without specification. Given that the contract was signed before 30/05/2017 AD, and before the approval and publication of the Common VAT Agreement of the States of the Gulf Cooperation Council (GCC) on 21/04/2017 AD, it would have been unreasonable to anticipate the application of VAT at that time. The apparent meaning of the contract’s wording suggests that it covers all taxes imposed at the time of signing. Therefore, the Appellate Department accepts the appeal regarding this item and annuls Primary Committee’s decision.

Regarding Appellant’s objection to the decision rendered by the Primary Committee that dismissed the request of Appellant (...) Company to cancel the late payment fine related to the tax period in question. The above item resulted in accepting appeal and annulling Committee’s decision. Since the related matters shall have the same effect, the Department accepts the appeal.

Regarding Appellant’s objection to the decision rendered by the Primary Committee that dismissed the request of Appellant (...) Company to cancel the late payment fine related to tax period in question. Since the above item resulted in acceptance of appeal and annulling Committee’s decision. Since the related matters shall have the same effect, the Department accepts the appeal.

For the aforementioned grounds, and after legal deliberation, the Department unanimously decided as follows:

Decision

First: Accept the appeal filed by (...), C.R. No. (...), in form for submission during the period prescribed by law.

Second: Accept the appeal filed by (...), C.R. No. (...), regarding standard rate local sales, annul First Department to Adjudicate Value Added Tax Violations and Disputes in Dammam Decision No. (VD-2021-1045), and consider the contract made with (...) Company as subject to zero-rated tax.

Third: Accept the appeal filed by (...), C.R. No. (...), regarding the late payment fine, annul First Department to Adjudicate Value Added Tax Violations and Disputes in Dammam Decision No. (VD-2021-1045), and annul the decision of Appellee (ZATCA) in accordance with (Second).

May Allah’s Blessings and Peace be upon our Prophet Muhammad and his family and companions.



Appellate Committee for Tax Violations and Disputes
First Appellate Department for Value Added Tax Violations
and Disputes
in Riyadh

Decision No.: VA-2022-147
Case No.: V-74341-2021

Key words:

Value Added Tax – Objection to Final Assessment – Late Payment Fine.

Abstract

Appellant (Taxpayer) requests annulling Committee Decision No. (VTR-2021-778), objecting to the rejection of its appeal regarding the final assessment notice of tax period related to March 2018 and imposing late payment penalty. Regarding (Standard-Rate Local Sales) item, Appellant also objects to Committee's decision that classifies its local sales as subject to standard VAT rate, arguing that they should be zero-rated. The Department found that the contested decision was consistent with the applicable regulations and well-founded reasoning on which it was based, providing sufficient justification for its ruling, as the Department thoroughly examined the dispute and reached to the conclusion included in its wording. Regarding Appellant's objection to the late payment fine for tax period in question, Appellant requested canceling fines resulting from the reassessment conducted by Appellee. The Department found that Appellant's failure to settle or report tax liabilities within tax period was not due to any negligence on their part in fulfilling their tax obligations. Therefore, the Department dismisses the appeal regarding the standard-rated local sales for tax period of March 2018, upholds the primary decision, accepts the appeal regarding late payment fine arising from the final assessment notice for the same tax period of March 2018, annuls Primary Department's decision and annuls decision of the Appellee (ZATCA) regarding the amount of imposed fine.

Documents:

- Paragraph (2) of Article (40) of [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) dated 21/04/1441 AH](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)

Facts

Since facts of this case have been stated in the decision subject matter of appeal, Appellate Department refers to this decision for avoidance of repetition. Whereas the primary decision ruled to:

First: In form: Accept the Case in form.

Second: On merits: Dismiss the Case filed by Plaintiff (...), holder of National ID No. (...), in his capacity as the owner of (...) Group, C.R. No. (...).

Dissatisfied with this decision, Appellant submitted a statement of appeal to the Appellate Department, objecting to Committee's decision in that dismissed Appellant's objection to Appellee's decision regarding the final assessment notice for tax period of March 2018 and the arising fines. Appellant objects to the application of standard VAT rate to zero-rated

amounts, as they outline the value of interim invoices under government contracts with (...). Appellant concluded with requesting the Department to accept the appeal and annul Committee's decision.

Having presented Appellant's statement to Appellee, Appellee answered as follows: "1. Regarding Appellant's appeal regarding standard rate local sales, ZATCA would like to inform the Honorable Department that it insists on Primary Committee's decision, as it is consistent with provisions of Article (79) of the Implementing Regulations of VAT Law. 2. During its review of tax return, ZATCA identified a variance in sales between Appellant's tax returns and financial statements for 2018. Appellant explained that this variance outlines revenues from (...) project with the Ministry of (...) prior to May 30, 2017 AD. Having asked Plaintiff to provide the written certificate during review phase, Appellant indicated that it was not available, which constitutes a violation of paragraph (3) of Article (79) of the Implementing Regulations of VAT Law, which stipulates: "Any Supply of Goods or services made in respect of a contract which does not anticipate the application of VAT to the Supply may be treated as zero-rated by the Supplier until the earlier of the time the contract expires, is renewed or 31 December 2018 provided that: a) the contract was entered into before 30 May 2017; b) the Customer is entitled to deduct Input Tax in respect of the Supply of Goods or services in full or is an Eligible Person entitled to a refund of the Tax; and c) the Customer provides a written certification to the Supplier that Input Tax is able to be deducted or refunded in full on the Supply". 3. ZATCA notes that Appellant filed an objection to the reassessment notice, providing ZATCA with a written certificate issued by the (Ministry of ...) dated 17/05/2020 during objection phase. However, this certificate did not indicate customer's (Ministry's) ability to deduct input VAT. Since Appellant did not possess this certificate at the time of filing tax return, and as the certificate did not meet the requirements specified in Paragraph (3) of Article (79) of the Implementing Regulations of VAT Law, ZATCA insists on the validity and correctness of its decision".

On Tuesday 05/08/1443 AH, corresponding to 08/03/2022 AD, the First Appeal Department for Value Added and Excise Tax Violations and Disputes held a session via video conference to hear the appeal based on Article 15.2 of Tax Dispute and Violation Committee Procedures, which stipulates that: "Circuit sessions may be held using modern technological means provided by the General Secretariat". Case file, including all memorandums and documents, and Primary Department's decision, subject matter of appeal, were reviewed. After discussion and deliberation, the Department decided to adjourn the session and issue decision.

Grounds

Based on Income Tax Law, issued under Royal Decree No. (M/1) dated 15/01/1425 AH, as amended by Royal Decree No. (M/113) dated 02/11/1438 AH, and after reviewing Tax Dispute and Violation Committee Procedures, issued under Royal Order No. (26040) dated 21/04/1441 AH.

Where the appeal was submitted by a person of capacity during the specified regulatory period and fulfilled its regulatory requirements in accordance with the provisions of Article 40.2 of Tax Dispute and Violation Committee Procedures, it should be accepted in form. On Merits: The Appellate Department, having taken cognizance of Case documents, examined the memorandums and replies provided by both parties, found that the primary decision ruled to dismiss the claim filed by Plaintiff (...). Appellant objects to dismissing its objection regarding the final assessment notice for tax period related to March 2018 and imposing late payment fine regarding (Standard-Rate Tax Local Sales) item. Appellant argues that its sales are subject to zero-rated tax. However, it is established that the decision, subject matter of appeal, regarding the current dispute aligns with the Law and is



based on sound reasoning sufficient to support its ruling, since the Primary Department examined the dispute and reached the conclusion included in its wording. Since the Appellate Department did not find any grounds for reconsideration or objection based on the arguments raised before it. Therefore, this Department determines that these arguments did not affect the outcome of decision. Therefore, the Department dismisses the appeal and upholds Primary Committee's decision based on its grounds.

Regarding Appellant's objection to the primary decision, which dismissed the request of Plaintiff (...) to cancel the late payment fine related to tax period in question. Since Appellant requests cancelling fines arising from Appellee's reassessment of tax period in question, which included additional revenue from contracts with a government agency and resulted in imposing late payment fine. Given that most contracts with such entities are adhesion contracts, where supplier has no ability to amend or add terms due to their governance under Government Tenders and Procurement Law, the Department determined that Appellant's failure to report and pay tax liabilities on time was not due to negligence in fulfilling its tax obligations. Since this case relates to the initial year of Law enforcement and the potential confusion in its application among government entities, the Department accepts the appeal.

For the aforementioned grounds, and after legal deliberation, the Department unanimously decided as follows:

Decision

First: Accept the appeal filed by (...), holder of National ID No. (...), in his capacity as owner of (...) Group, C.R. No. (...) in form for submission during the period prescribed by law.

Second: Dismiss the appeal of filed by (...), holder of National ID No. (...), in his capacity as owner of (...), C.R. No. (...) regarding standard-rate tax local sales for tax period of March 2018, and uphold Third Department to Adjudicate Value Added Tax Violations and Disputes in Riyadh Decision No. (VTR-2021-778).

Third: Accept the appeal filed by (...), holder of National ID No. (...), in his capacity as owner of (...) Group, C. R. No. (...) regarding the late payment fine arising from the final assessment notice for tax period of March 2018, annul Third Department to Adjudicate Value Added Tax Violations and Disputes in Riyadh Decision No. (...), and annul the decision of Appellee (ZATCA) regarding the amount of imposed fine.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.



Appellate Committee for Tax Violations and Disputes
First Appellate Department for Value Added Tax Violations
and Disputes
in Riyadh

Decision No.: VA-2022-161
Case No.: V-80304-2021

Key words:

Value Added Tax – Objection to Final Assessment – Local Sales – Standard Rate Tax – Late Payment Fine – Dismissed on Merits

Abstract

Appellant (ZATCA) requests annulling Committee's Decision No. (VTR-2021-830) regarding its objection to tax period related to Q3_2018 and the arising fines. The Department found that the contested decision in this dispute was consistent with Law provisions and reasons on which it was based and sufficient to support its ruling, since the Primary Department thoroughly examined the dispute and reached the conclusion included in its wording. Therefore, the Department ruled to dismiss ZATCA appeal and uphold the primary decision.

Documents:

- Paragraph (2) of Article (40) of [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) dated 21/04/1441 AH](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)

Facts

Since facts of this case have been stated in the decision subject matter of appeal, Appellate Department refers to this decision for avoidance of repetition. Whereas the primary decision ruled to:

First: In Form: Accept Plaintiff's claim.

Second: On merits: Accept Plaintiff's claim and annul Defendant's decision, subject matter of the Case.

Dissatisfied with this decision, Appellant submitted a statement of appeal to the Appellate Department, objecting to Committee's decision of accepting claim of Appellee regarding the standard-rate tax local sales of Q4_2018 and imposing late payment fine. Appellant argued for annulling Committee's decision for validity of its procedure, in addition to Appellee's failure to provide the documents required by ZATCA in both examination and audit phase and objection phase. Appellant concluded the statement of appeal with a request to accept the appeal and annul Committee's decision.

Having presented the statement of appeal to Appellee, Appellee submitted an answer summarized as follows: "The Tax Disputes and Violations Committee decided to uphold our claim to cancel the undue tax amount imposed on the Company, along with the arising fines, as all statutory requirements that support the Company's procedure of non-liability for tax of 5% were met".



On Tuesday 28/07/1443 AH, corresponding to 01/03/2022 AD, the First Appeal Department for Value Added and Excise Tax Violations and Disputes held a session via video conference to hear the appeal based on Article 15.2 of Tax Dispute and Violation Committee Procedures, which stipulates that: Circuit sessions may be held using modern technological means provided by the General Secretariat”. Case file, along with all memorandums and documents, were reviewed, as well as decision of the Primary Department, subject matter of appeal. After discussion and deliberation, the Department decided to adjourn the session and deliver a decision.

Grounds

Based on Income Tax Law, issued under Royal Decree No. (M/1) dated 15/01/1425 AH, as amended by Royal Decree No. (M/113) dated 02/11/1438 AH, and after reviewing Tax Dispute and Violation Committee Procedures, issued under Royal Order No. (26040) dated 21/04/1441 AH.

Where the appeal was submitted by a person of capacity during the specified regulatory period and fulfilled its regulatory requirements in accordance with the provisions of Article 40.2 of Tax Dispute and Violation Committee Procedures, it should be accepted in form.

On Merits: The Appellate Department, having taken cognizance of Case documents, and examined the memorandums and answers provided by both parties, found that the primary decision dismissed Plaintiff's claim regarding objection to tax period related to Q4_2018 and the arising fines. Since the contested decision was based on well-founded reasoning and sufficient justification, as the Primary Department thoroughly examined the dispute and reached the conclusion included in its wording. Since the Appellate Department did not find any grounds for reconsideration or objection based on the arguments raised before it. Therefore, this Department determines that these arguments did not affect the outcome of decision. Therefore, this Department concludes to dismiss this appeal and uphold the primary decision for the grounds stated therein.

For the aforementioned grounds, and after legal deliberation, the Department unanimously decided as follows:

Decision

First: Accept ZATCA appeal in form for being filed within the statutory period.

Second: Dismiss ZATCA Appeal and uphold Third Department to Adjudicate Value Added Tax Violations and Disputes in Riyadh Decision No. (...).

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.



Appellate Committee for Tax Violations and Disputes
First Appellate Department for Value Added Tax Violations
and Disputes
in Riyadh City

Decision No.: VA-2022-162
Case No.: V-80806-2021

Key words:

Value Added Tax – Objection to Final Assessment – Local Sales – Standard Rate Tax – Exempt Supplies

Abstract

Appellant (Taxpayer) requests annulling Committee's Decision No. (VSR-2021-689) regarding the final assessment notice for tax period related Q1_2019. Regarding (Standard-Rate Tax Local Sales) item, the dispute involves whether Appellant's supplies related to education and training services, in addition to healthcare services for Saudi citizens, fall under the scope of Royal Order No. (A/86). The commercial registration reveals that Appellant Company's activities involve the determination and distribution of social assistance, daycare for people with disabilities, child adoption and consulting services. Given that the amounts in question pertain to Saudi citizens according to Case facts and provided data, and considering that Royal Order No. (A/86) dated (18/4/1439 AH) states that the state shall bear VAT for Saudi citizens on private education without restriction, and given that the Ministry of Human Resources and Social Development does not pay VAT for private sector's rehabilitation services for people with disabilities and daycare programs, since health and educational services are exempt from VAT. Therefore, The Department hereby ruled to accept the appeal and dismiss the primary decision.

Documents:

- [Royal Order No. \(A/86\) dated 18/04/1439 AH](#)
- Paragraph (2) of Article (20) of [Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. \(26040\) dated 21/04/1441 AH](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)

Facts

Since facts of this case have been stated in the decision subject matter of appeal, Appellate Department refers to this decision for avoidance of repetition. Whereas the primary decision ruled to:

First: In form: Accept Plaintiff's case in form.

Second: On merits:

Dismiss the claim filed by Plaintiff (...). holder of National ID No., On merits.

Dissatisfied with this decision, Appellant submitted a statement of appeal to the Appellate Department, objecting to Committee's decision that dismissed its objection to annulling Appellee's decision regarding the final notice for tax period related to Q1_2019. Appellant requests that no adjustments be introduced to (Standard-Rate Tax Local Sales) item, as the supplies are exempt from tax in accordance with Royal Order No. (A/86) dated 18/04/1439 AH. Furthermore, the Ministry of Labor and Social Development does not



pay tax, as it is VAT exempt. Appellant concluded by requesting the Department to accept the Appeal and annulling Committee's decision.

Having presented Appellant's statement of appeal to Appellee, Appellee replied as follows: "Appellant provides services to beneficiaries at discounted or subsidized rates in exchange for supplies, which constitutes an economic activity subject to VAT at the standard rate. Appellant claims that the state has borne the cost of fees for services related to Plaintiff's economic activity, specifically daycare fees during school terms for people with disabilities, which the state covered on behalf of service beneficiary (people with disabilities). This shall be considered as received revenue rather than falling under the category of government subsidy and assistance outlined above. Furthermore, Appellant claims these amounts as educational services for which the state bears tax. However, ZATCA asserts that Royal Order No. (A/86) and the services provided by Appellant fall outside the scope of this Royal Order, as Appellant's license was issued by the Ministry of Labor and Social Development and operates under its supervision".

Having presented Appellee's answer to Appellant, Appellant submitted a reply memorandum summarized as follows: "1. ZATCA claimed that Appellant provides services to beneficiaries at discounted or subsidized rates, which is an incorrect conclusion, as Appellant does not receive any funds from the beneficiaries nor issues any invoices to them. 2. The payment for services is made by the state to Appellant's center without VAT, so how can Appellant's center and its activities be responsible for paying the tax?"

On Tuesday 28/07/1443 AH, corresponding to 01/03/2022 AD, the First Appeal Department for Value Added and Excise Tax Violations and Disputes held a session via video conference to hear the appeal based on Article 15.2 of Tax Dispute and Violation Committee Procedures, which stipulates that: "Circuit sessions may be held using modern technological means provided by the General Secretariat". Case file, including all memorandums and documents, and Primary Department's decision, subject matter of appeal, were reviewed. After discussion and deliberation, the Department decided to adjourn the session and issue decision.

Grounds

In accordance with Income Tax Law promulgated by Royal Decree No. (M/1) dated 15/01/1425 AH as amended by Royal Decree No. (M/113) dated 02/11/1438 AH, and having perused Tax Dispute and Violation Committee Procedures issued by Royal Order No. (26040) dated 21/04/1441 AH.

Where the appeal was submitted by a person of capacity during the specified regulatory period and fulfilled its regulatory requirements in accordance with the provisions of Article 40.2 of Tax Dispute and Violation Committee Procedures, it should be accepted in form.

On Merits: The Appellate Department, having taken cognizance documents and examined the documents included therein, and after reviewing memorandums and answers provided by both parties, found that the decision delivered by the Committee ruled to dismiss the Case filed by (...). Appellant objects to Committee's decision that dismissed the objection to annulling Appellee's decision regarding the final notice for tax period related to Q1_2019, specifically concerning stranded-rate tax local sales. The dispute involves whether Appellant's supplies related to education and training services, in addition to healthcare services for Saudi citizens, fall under the scope of Royal Order No. (A/86). The commercial registration reveals that Appellant Company's activities involve the determination and distribution of social assistance, daycare for people with disabilities, child adoption and consulting services. Given that the amounts in question pertain to Saudi citizens according to Case facts and provided data, and considering that Royal Order No. (A/86) dated (18/4/1439 AH) states that the state shall bear VAT for Saudi citizens on



private education without restriction, and given that the Ministry of Human Resources and Social Development does not pay VAT for private sector's rehabilitation services for people with disabilities and daycare programs, since health and educational services are VAT exempt, the Appellate Department accepts the appeal and annuls Committee's decision.

For the aforementioned grounds, and after legal deliberation, the Department unanimously decided as follows:

Decision

First: Accept Appeal filed by..... holder of National ID No., in form for submission during the period prescribed by law.

Second: Accept the appeal filed by (...), holder of National ID No., annul Second Department to Adjudicate Value Added Tax Violations and Disputes in Riyadh Decision No. (VSR-2021-689), and annul ZATCA reassessment decision for the period in question.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.



Appellate Committee for Tax Violations and Disputes
First Appellate Department for Value Added Tax Violations
and Disputes
in Riyadh

Decision No.: VA-2022-163
Case No.: V-80809-2021

Key words:

Value Added Tax – Sales – Education and Training

Abstract

Appellant (Taxpayer) requests annulling Committee's Decision No. (VSR-2021-691). Since Appellant objects to Committee's decision that dismissed its objection to Appellee's decision regarding the final assessment notice for tax period related Q2_2018. Regarding (Standard-Rate Tax Local Sales) item, the dispute involves whether Appellant's supplies related to education and training services, in addition to healthcare services for Saudi citizens, fall under the scope of Royal Order No. (A/86). The Department found that Appellant Company's activities involve the determination and distribution of social assistance, daycare for people with disabilities, child adoption and consulting services. Given that the amounts in question pertain to Saudi citizens according to Case facts and provided data, and considering that Royal Order No. (A/86) dated (18/4/1439 AH) states that the state shall bear VAT for Saudi citizens on private education without restriction, and given that the Ministry of Human Resources and Social Development does not pay VAT for private sector's rehabilitation services for people with disabilities and daycare programs, since health and educational services are VAT exempt. Therefore, The Department hereby ruled to accept the appeal and dismiss the primary decision.

Documents:

- [Royal Order No. \(A/86\) dated 18/04/1439 AH](#)
- Paragraph (2) of Article (20) of [Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. \(26040\) dated 21/04/1441 AH](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)



Facts

Since facts of this case have been stated in the decision subject matter of appeal, Appellate Department refers to this decision for avoidance of repetition. Whereas the primary decision ruled to:

First: In form: Accept Plaintiff's case in form.

Second: On merits:

- Dismiss the claim filed by Plaintiff (...). holder of National ID No., On merits. Dissatisfied with this decision, Appellant submitted a statement of appeal to the Appellate Department, objecting to Committee's decision that dismissed its objection to annulling Appellee's decision regarding the final notice for tax period related to Q2_2018. Appellant requests that no adjustments are introduced to (Standard-Rate Tax Local Sales) item, as the supplies are VAT exempt under Royal Order No. (A/86) dated 18/04/1439 AH. Furthermore, the Ministry of Labor and Social Development does not pay tax, as it is VAT exempt. Appellant concluded by requesting the Department to accept the appeal and annul Committee's decision.

Having presented Appellant's statement of appeal to Appellee, Appellee replied as follows: "Appellant provides services to beneficiaries at discounted or subsidized rates in exchange for supplies, which constitutes an economic activity subject to VAT at the standard rate. Appellant claims that the state has borne the cost of fees for services related to Plaintiff's economic activity, specifically daycare fees during school terms for people with disabilities, which the state covered on behalf of service beneficiary (people with disabilities). This shall be considered as received revenue rather than falling under the category of government subsidy and assistance outlined above. Furthermore, Appellant claims these amounts as educational services for which the state bears tax. However, ZATCA asserts that Royal Order No. (A/86) and the services provided by Appellant fall outside the scope of this Royal Order, as Appellant's license was issued by the Ministry of Labor and Social Development and operates under its supervision".

Having presented Appellee's answer to Appellant, Appellant submitted a reply memorandum summarized as follows: "1. ZATCA claimed that Appellant provides services to beneficiaries at discounted or subsidized rates, which is an incorrect conclusion, as Appellant does not receive any funds from the beneficiaries nor issues any invoices to them. 2. The payment for services is made by the state to Appellant's center without VAT, so how can Appellant's center and its activities be responsible for paying the tax?"

On Tuesday 28/07/1443 AH, corresponding to 01/03/2022 AD, the First Appeal Department for Value Added and Excise Tax Violations and Disputes held a session via video conference to hear the appeal based on Article 15.2 of Tax Dispute and Violation Committee Procedures, which stipulates that: "Circuit sessions may be held using modern technological means provided by the General Secretariat". Case file, including all memorandums and documents, and Primary Department's decision, subject matter of appeal, were reviewed. After discussion and deliberation, the Department decided to adjourn the session and issue decision.

Grounds

Based on Income Tax Law, issued under Royal Decree No. (M/1) dated 15/01/1425 AH, as amended by Royal Decree No. (M/113) dated 02/11/1438 AH, and after reviewing Tax Dispute and Violation Committee Procedures, issued under Royal Order No. (26040) dated 21/04/1441 AH.

Where the appeal was submitted by a person of capacity during the specified regulatory period and fulfilled its regulatory requirements in accordance with the provisions of Article 40.2 of Tax Dispute and Violation Committee Procedures, it should be accepted in form.



On Merits: The Appellate Department, having taken cognizance documents and examined the documents included therein, and after reviewing memorandums and answers provided by both parties after being given an opportunity for providing their submissions, found that the decision delivered by the Primary Committee ruled to accept the Case filed by Plaintiff (...) Company) Appellant objects to Committee's decision that dismissed its objection to Appellee's decision regarding the final assessment notice for tax period related Q2_2018. Regarding (Standard-Rate Tax Local Sales) item, the dispute involves whether Appellant's supplies related to education and training services, in addition to healthcare services for Saudi citizens, fall under the scope of Royal Order No. (A/86). The commercial registration reveals that Appellant Company's activities involve the determination and distribution of social assistance, daycare for people with disabilities, child adoption and consulting services. Given that the amounts in question pertain to Saudi citizens according to Case facts and provided data, and considering that Royal Order No. (A/86) dated (18/4/1439 AH) states that the state shall bear VAT for Saudi citizens on private education without restriction, and given that the Ministry of Human Resources and Social Development does not pay VAT for private sector's rehabilitation services for people with disabilities and daycare programs, since health and educational services are VAT exempt. Therefore, the Appellate Department accepts the appeal and annuls Committee's decision.

For the aforementioned grounds, and after legal deliberation, the Department unanimously decided as follows:

Decision

First: Accept Appeal filed by..... holder of National ID No., in form for submission during the period prescribed by law.

Second: Accept the appeal filed by (...), holder of National ID No., annul Second Department to Adjudicate Value Added Tax Violations and Disputes in Riyadh Decision No. (VSR-2021-691), and annul ZATCA reassessment decision for the period in question.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.



Appellate Committee for Tax Violations and Disputes
First Appellate Department for Value Added Tax Violations
and Disputes
in Riyadh

Decision No.: VA-2022-168
Case No.: V-85787-2021

Key words:

Value Added Tax – Real Property Ownership – Residence

Abstract

Appellant (Taxpayer) requests annulling Committee's Decision No. (VD-2021-1482), which ruled to dismiss Appellant's claim against Appellee (... Bank). The purpose of filing claim against (... Bank) was delivering Appellant (...) First Home VAT Certificate. The Department found that Appellant was registered for VAT on 01/02/2019 AD, and the property subject to the dispute was transferred to Appellee on 04/03/2019 AD. Since the real property title deed did not state that the sale price is VAT inclusive. Since Appellant provided proof of VAT payment to ZATCA. Given that Appellant's principal request before the Primary Department was to oblige Appellee (...) to lift the suspension of First Home Certificate. Since the Department did not address this request in its reasoning or wording despite of mentioning the same in Case facts. Accordingly, the Appellate Department finds that the principal requests were not fully adjudicated. Therefore, the Appellate Department accepts the appeal and annuls the primary decision. Therefore, the Department accepts the appeal and remands the Case.

Documents:

- Paragraph (2) of Article (20) of [Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. \(26040\) dated 21/04/1441 AH](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)

Facts

Since facts of this case have been stated in the decision subject matter of appeal, Appellate Department refers to this decision for avoidance of repetition. Whereas the primary decision ruled to:

First: In Form: Accept Plaintiff's claim.

Second: On Merits: Dismiss Plaintiff's claim.

Dissatisfied with this decision, Appellant submitted a statement of appeal to the Appellate Department, objecting to the primary decision, subject matter of appeal which dismissed Appellant's claim against ... Bank. Appellant argued that the Department erred in its characterization of the Case, as the true fact of claim was to oblige Appellee to deliver tax exemption certificate, allowing for the recovery of VAT paid to ZATCA. Appellant concluded with requesting the Department to accept the appeal and annul Committee's decision.



On Monday 04/08/1443 AH, corresponding to 07/03/2022 AD, the First Appeal Committee for Value Added and Excise Tax Violations and Disputes held a session to consider the appeal submitted via video conference, based on Article 15.2 of Tax Dispute and Violation Committee Procedures, which stipulates that: Sessions of the Department may be held via modern technological means provided by the General Secretariat". Case file, along with all memoranda and documents, was reviewed, as well as decision of the Adjudication Department under appeal. After discussion and deliberation, the Department decided to adjourn the session and issue a decision.

Grounds

In accordance with Income Tax Law promulgated by Royal Decree No. (M/1) dated 15/01/1425 AH as amended by Royal Decree No. (M/113) dated 02/11/1438 AH, and having perused Tax Dispute and Violation Committee Procedures issued by Royal Order No. (26040) dated 21/04/1441 AH.

Where the appeal was submitted by a person of capacity during the specified regulatory period and fulfilled its regulatory requirements in accordance with the provisions of Article 40.2 of Tax Dispute and Violation Committee Procedures, it should be accepted in form.

On Merits: The Appellate Department, having taken cognizance of Case documents, examined the memorandums and answers provided by both parties, found that the primary decision ruled to dismiss Appellant's claim against Appellee (... Bank). Since the purpose of filing claim against (... Bank) was delivering Appellant (...) First Home VAT Certificate. The Department found that Appellant was registered for VAT on 01/02/2019 AD, and the property subject to the dispute was transferred to Appellee on 04/03/2019 AD. Since the real property title deed did not state that the sale price is VAT inclusive. Since Appellant provided proof of VAT payment to ZATCA. Given that Appellant's principal request before the Primary Department was to oblige Appellee (...) to lift the suspension of First Home Certificate. Since the Department did not address this request in its reasoning or wording despite of mentioning the same in Case facts. Accordingly, the Appellate Department finds that the principal requests were not fully adjudicated. Therefore, the Appellate Department accepts the appeal and annuls the primary decision.

For the aforementioned grounds, and after legal deliberation, the Department unanimously decided as follows:

Decision

First: Accept the appeal filed by (...), holder of National ID No. (...), in form for submission during the period prescribed by law.

Second: Accept the appeal filed by (...), holder of National ID No. (...), annul First Department to Adjudicate Value Added Tax Violations and Disputes in Dammam Decision No. (VD-2021-1482), and remand the Case for reconsideration on its merits.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.



Appellate Committee for Tax Violations and Disputes
First Appellate Department for Value Added Tax Violations
and Disputes
in Riyadh

Decision No.: VA-2022-172
Case No.: V-66398-2021

Key words:

Value Added Tax – Real Property Purchase – Dismissing Appeal

Abstract

Appellant (Taxpayer) requests annulling Committee's Decision No. (VTR-2021-534), which ruled obliging Appellant (...) to pay the amount that outlines VAT arising from the purchase of a real property from Appellee (...). The Appellate Department found that the contested decision was consistent with provisions of the Law and based on valid reasoning sufficient to support its ruling, since the Primary Department thoroughly examined the dispute and reached the conclusion stated in its wording. Therefore, the Department dismisses the appeal and upholds the primary decision.

Documents:

- Paragraph (2) of Article (20) of [Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. \(26040\) dated 21/04/1441 AH](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)

Facts

Since facts of this case have been stated in the decision subject matter of appeal, Appellate Department refers to this decision for avoidance of repetition. Whereas the primary decision ruled to:

First: In form: Accept the Case in form.

Second: On merits:

- Oblige Defendant (...), C.R. No. (...), to pay Plaintiff (...), holder of National ID No. (...), an amount of SAR 77,500 (seventy-seven thousand and five hundred Saudi Riyals) that outlines the value of tax in question.

Dissatisfied with this decision, Appellant submitted a statement of appeal to the Appellate Department, objecting to the primary decision, subject matter of appeal, which obligated Appellant to pay the amount that outlines VAT arising from the purchase of a real property from Appellee. Appellant argued that Appellee was not registered in VAT system at the time of sale. Appellant concluded the statement of appeal requesting the Department to accept the appeal and annul the primary decision.

Having presented the statement of appeal to Appellee, Appellee submitted an answer summarized as follows: "1. VAT amount was paid to ZATCA. 2- Under Murabaha Contract, Defendant is considered the end consumer and is therefore required to pay the amount to Plaintiff, who in turn is obligated to remit it to ZATCA".



On Monday 23/05/1443 AH, corresponding to 27/12/2022 AD, the First Appeal Committee for Value Added and Excise Tax Violations and Disputes held a session to consider the appeal submitted via video conference, based on Article 15.2 of Tax Dispute and Violation Committee Procedures, which stipulates that: "A circuit may hear the case using modern technological means provided by the General Secretariat". The Department, having reviewed the case file, the parties' submissions and the appealed decision, after discussion and deliberation, the Department decided to adjourn considering the Case to Tuesday, 04/01/2022 AD, 01:00 PM, provided that the parties are notified to appear.

On Tuesday 01/06/1443 AH, corresponding to 04/01/2022 AD, the First Appeal Department for Value Added and Excise Tax Violations and Disputes held a session via video conference to hear the appeal based on Article 15.2 of Tax Dispute and Violation Committee Procedures, which stipulates that: "A circuit may hear the case using modern technological means provided by the General Secretariat". Case file, including all memorandums and documents, and the primary decision, subject matter of appeal, were reviewed. Having called the parties, the Department found that Appellant (...), holder of National ID No., under POA No. (...), In addition, Appellee (...), holder of National ID No. (...) appeared. At that session, the Department asked Appellant about the claim. Therefore, Appellant gave an answer that does not differ from the previous statements, and that he satisfies with the statement of appeal and memorandums filed through the portal of the General Secretariat of Tax Dispute and Violation Committees, in addition to insisting on the evidence and arguments included therein. Having presented the same to Appellee's representative, he gave an answer in line with such statements included in his answer, satisfying with the memorandum submitted via the portal of the General Secretariat of Tax Dispute and Violation Committees, and insisting on the evidence and arguments presented therein. After discussion and deliberation, the Department decided to adjourn the Case for taking cognizance, further study and intervening ZATCA.

On Tuesday 07/07/1443 AH, corresponding to 08/02/2022 AD, the First Appeal Department for Value Added and Excise Tax Violations and Disputes held a session via video conference to hear the appeal based on Article 15.2 of Tax Dispute and Violation Committee Procedures, which stipulates that: "A circuit may hear the case using modern technological means provided by the General Secretariat". Case file, all memorandums, and documents were reviewed, along with the primary decision, subject matter of appeal. Having called the parties, the Department found that neither Appellant nor its representative appeared despite of being duly notified. In addition, Appellee (...), holder of National ID No., Moreover, (...) holder of National ID No. (...), appeared in his capacity as ZATCA representative under Authorization No. (...) dated 04/06/1442 AH issued by Vice Governor for Legal Affairs based on Department's order to intervene ZATCA in the Case. At this session, the Department asked ZATCA representative about the collection of tax from both parties on the same real property. ZATCA representative requested a deferral to review and respond to the Department's order. Accordingly, the Department decided to adjourn the Case consideration pending the response.

On 21/02/2022, ZATCA submitted a memorandum summarized as follows: "Regarding the appeal filed by (...) No. (...): Since the Honorable Department requested intervening ZATCA to provide clarification regarding the payment of tax amount in question by both parties at the session held on February 08, 2022 AD, ZATCA summarizes its answer as follows: First: Regarding Taxpayer (...): 1. We inform Your Excellency that, having taken cognizance of the subject matter, found that Taxpayer "..." registered for VAT under TIN (...) on (03/09/2020 AD), with an effective date of (01/11/2018 AD). In addition, Taxpayer disclosed taxable sales at the standard rate amounting to SAR 1,550,000 in VAT return for tax period (Q4_2019), which was filed to ZATCA on (31/08/2020 AD), and settled VAT due to ZATCA. 2. ZATCA also notes that no decision has been issued



regarding the reassessment of tax return. Second: Regarding Taxpayer (...): 1. ZATCA states that Taxpayer disclosed local sales amounting to SAR 97,004,582 for tax period (October 2019) in VAT return filed to ZATCA on 28/11/2019 AD and settled VAT due to ZATCA. However, ZATCA has not audited tax periods (September 2019 and October 2019), making it impossible to determine the basis of the amounts disclosed by Taxpayer. Third: We would also like to draw your esteemed attention to the fact that VAT Law and its Implementing Regulations grant Taxpayers the right to amend tax returns in accordance with the provisions set forth in the Implementing Regulations”.

On Tuesday 05/08/1443 AH, corresponding to 08/03/2022 AD, the First Appeal Department for Value Added and Excise Tax Violations and Disputes held a session via video conference to hear the appeal based on Article 15.2 of Tax Dispute and Violation Committee Procedures, which stipulates that: “Circuit sessions may be held using modern technological means provided by the General Secretariat”. Case file, including all memorandums and documents, and Primary Department’s decision, subject matter of appeal, were reviewed. After discussion and deliberation, the Department decided to adjourn the session and issue decision.

Grounds

In accordance with Income Tax Law promulgated by Royal Decree No. (M/1) dated 15/01/1425 AH as amended by Royal Decree No. (M/113) dated 02/11/1438 AH, and having perused Tax Dispute and Violation Committee Procedures issued by Royal Order No. (26040) dated 21/04/1441 AH.

Where the appeal was submitted by a person of capacity during the specified regulatory period and fulfilled its regulatory requirements in accordance with the provisions of Article 40.2 of Tax Dispute and Violation Committee Procedures, it should be accepted in form.

On Merits: The Appellate Department, having taken cognizance of Case documents, examined the memorandums and replies provided by both parties, found that the primary decision ruled to oblige Appellant (...) to pay an amount that outlines VAT arising from the purchase of a real property from Appellee (...). Since it is established that the contested decision regarding the dispute, subject matter of consideration, is consistent with provisions of the Law and is based on sound reasoning sufficient to support its ruling, since the Primary Department thoroughly examined the dispute and reached the conclusion stated in its wording. Since the Appellate Department did not find any grounds for reconsideration or objection in light of the arguments raised before it. Therefore, this Department concludes that such arguments have no effect on the outcome of decision. Therefore, this Department concludes to dismiss this appeal and uphold the primary decision for the grounds stated therein.

For the aforementioned grounds, and after legal deliberation, the Department decided by majority as follows:

Decision

First: Accept the appeal filed by (...), C.R. No. (...), In form be submitted during regulatory period.

Second: Dismiss the appeal filed by (...), C.R. No. (...), and uphold Third Department to Adjudicate Value Added Tax Violations and Disputes in Riyadh Decision No. (VTR-2021-534).

May Allah’s Blessings and Peace be upon our Prophet Muhammad and his family and companions.





Appellate Committee for Tax Violations and Disputes
First Appellate Department for Value Added Tax Violations
and Disputes
in Riyadh

Decision No.: VA-2022-175
Case No.: V-70546-2021

Key words:

Value-Added Tax Supply – Owner's Heirs – Accepting Appeal

Abstract

Appellant (Taxpayer) requests annulling Primary Committee's Decision No. (VR-2021-337) on the ground that the supply of real property in question is VAT exempt, as it was used as a permanent residence by owner's heirs prior to the supply in accordance with Paragraph (7) of Article (9) of the Implementing Regulations of VAT Law. The Department found that the real property in question falls under the exemptions from VAT as stipulated in Paragraph (7) of Article (9) of the Implementing Regulations of VAT Law. Therefore, the Department accepts the appeal and annuls the primary decision.

Documents:

- Paragraph (2) of Article (20) of [Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. \(26040\) dated 21/04/1441 AH](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)
- Paragraph (7) of Article (9) of [the Implementing Regulations of Value Added Tax Law issued by the General Authority of Zakat and Tax \(formerly\) Board of Directors Decision No. \(3839\) dated Dhu Al-Hijjah 14, 1438 AH corresponding to November 14, 2016 AD](#)

Facts

Since facts of this case have been stated in the decision subject matter of appeal, Appellate Department refers to this decision for avoidance of repetition. Whereas the primary decision ruled to:

First: In form:

- Accept the case in form.

Second: On merits:

- Dismiss the claim filed by Plaintiff (...), holder of National ID No. (...), obliging Defendant (...), holder of National ID No. (...), to return VAT amounting to of SAR 89,062.50.

Dissatisfied with this decision, Appellant submitted a statement of appeal to the Appellate Department, objecting to Primary Committee's decision, which dismissed the claim against Appellee (...). Appellant requests annulling Committee's decision, arguing that the real property in question is VAT exempt due to its use by owner's heirs as a permanent residence in accordance with provisions of Paragraph (7) of Article (9) of the Implementing Regulations of Value Added Tax Law. In addition, Appellant concluded the statement of appeal by requesting the Department to accept the appeal and annul the primary decision.



On Tuesday, 02/06/1443 AH corresponding to 05/01/2022 AD, the First Appellate Department for Value Added and Excise Tax Violations and Disputes held a session to consider the appeal via video conference in accordance with Paragraph (2) of Article (15) of Tax Dispute and Violation Committee Procedures that stipulates: "Circuit sessions may be held using modern technological means provided by the General Secretariat". Case file, along with all memorandums and documents, were reviewed, as well as decision of the Primary Department, subject matter of appeal. After discussion and deliberation, the Department decided to adjourn consideration of the Case for Tuesday, 29/06/1443 AH, corresponding to 01/02/2022, 01:00 PM, provided that the parties are notified to appear. On Tuesday 29/06/1443 AH corresponding to 01/02/2022 AD, the First Appellate Department for Value Added and Excise Tax Violations and Disputes held a session to consider the filed appeal via video conference in accordance with Paragraph (2) of Article (15) of Tax Dispute and Violation Committee Procedures that stipulates: "A circuit may hear the case using modern technological means provided by the General Secretariat". Case file, including all memorandums and documents, and the primary decision, subject matter of appeal, were reviewed. Having called the parties, the Department found that Appellant (...), National ID Number: (...) appeared. On the other hand, Appellee did not appear despite of being notified of session date. Thereupon, the Department decided to open pleadings by asking Appellant about the claim. Therefore, Appellant gave an answer that do not differ the previous statements, and that he satisfies with the statement of appeal and memorandums filed through the portal of the General Secretariat of Tax Dispute and Violation Committees, in addition to insisting on the evidence and arguments included therein. After discussion and deliberation, the Department decided to grant Appellee another opportunity to appear at the session and adjourned the Case to Tuesday, 15/02/2022, 1:00 PM.

On Tuesday 14/07/1443 AH corresponding to 15/02/2022 AD, the First Appellate Department for Value Added and Excise Tax Violations and Disputes held a session to consider the filed appeal via video conference in accordance with Paragraph (2) of Article (15) of Tax Dispute and Violation Committee Procedures that stipulates: "A circuit may hear the case using modern technological means provided by the General Secretariat". Case file, including all memorandums and documents, and the primary decision, subject matter of appeal, were reviewed. Having called the parties, the Department found that Appellant (...), National ID Number: (...) appeared. Appellee did not appear despite of being duly notified of session date. Accordingly, the Department decided to open pleadings by asking Appellant about the claim. Therefore, Appellant gave an answer that do not differ the previous statements, and that he satisfies with the statement of appeal and memorandums filed through the portal of the General Secretariat of Tax Dispute and Violation Committees, in addition to insisting on the evidence and arguments included therein. After discussion and deliberation, the Department decided to adjourn consideration of the Case for taking cognizance and further study.

On Tuesday 19/08/1443 AH corresponding to 22/03/2022 AD, the First Appellate Department for Value Added and Excise Tax Violations and Disputes held a session to consider the filed appeal via video conference in accordance with Paragraph (2) of Article (15) of Tax Dispute and Violation Committee Procedures that stipulates: "A circuit may hear the case using modern technological means provided by the General Secretariat". Case file, including all memorandums and documents, and the primary decision, subject matter of appeal, were reviewed. Having called the parties, the Department found that Appellant (...), holder of National ID No. (...), appeared in person. In addition, Appellee (...), holder of National ID No. (...), appeared in person. Therefore, the Department decided to open pleadings by asking Appellant about the Case. Therefore, Appellant gave an answer that do not differ the previous statements, and that he satisfies with the



statement of appeal and memorandums filed through the portal of the General Secretariat of Tax Dispute and Violation Committees, in addition to insisting on the evidence and arguments included therein. Having presented the same to Appellee, Appellee answered as follows: ZATCA is Appellant's opponent, and the house sold consists of two deeds, one of which was sold to Appellant. VAT was charged on the sale transaction. Due to uncertainty about whether the house was subject to VAT, it consulted ZATCA, who advised him to collect the tax since the house consists of two deeds, with both deeds sold to Appellant and another buyer. It delayed remitting tax to ZATCA until he could verify whether the house was subject to tax, as it was occupied by the heirs of (...) and had not been rented out. When both parties were asked if they would like to add further statements, they responded that they were satisfied with their earlier submissions. Accordingly, the pleading was closed, and the session was adjourned for review, deliberation, and delivering a decision.

Grounds

Based on Income Tax Law, issued under Royal Decree No. (M/1) dated 15/01/1425 AH, as amended by Royal Decree No. (M/113) dated 02/11/1438 AH, and after reviewing Tax Dispute and Violation Committee Procedures, issued under Royal Order No. (26040) dated 21/04/1441 AH.

Where the appeal was submitted by a person of capacity during the specified regulatory period and fulfilled its regulatory requirements in accordance with the provisions of Article 40.2 of Tax Dispute and Violation Committee Procedures, it should be accepted in form. On Merits: The Appellate Department, having taken cognizance of Case documents and examined the documents included therein, and after reviewing memorandums and answers provided by both parties, found that the decision delivered by the Primary Department ruled to accept the Case filed by Appellant (...) against Appellee (...), since Appellant requests annulling Committee's decision, arguing that the real property in question is VAT exempt due to its use by owner's heirs as a permanent residence before the supply in accordance with Paragraph (7) of Article (9) of the Implementing Regulations of Value Added Tax Law. Since Appellant provided electricity bills for the real property in question in the name of (...). since Appellee did not deny, during Case consideration before the Primary Department, that the real property in question was a residence for the heirs or one of them. Since Paragraph (7) of Article (9) of the Implementing Regulations of Value Added Tax Law stipulates "A Person who Supplies or intends to Supply Real Estate will be presumed to carry on an Economic Activity for the purpose of registration under the Law and these Regulations, except in cases where prior to the Supply the Real Estate was used or was intended for use as a permanent dwelling by the Person, or by a Person who is related to such Person within the meaning of the second paragraph of article thirty-seven of these Regulations". Since the Appellate Department found that the real property qualifies as an exception to VAT under Paragraph (7) of Article (9) of the Implementing Regulations of Value Added Tax Law. Therefore, the Department accepts the appeal and annuls the primary decision, subject matter of the Case.

For the aforementioned grounds, and after legal deliberation, the Department unanimously decided as follows:

Decision



First: Accept the appeal filed by (...), holder of National ID No., in form for submission during the period prescribed by law.

Second: Accept the appeal filed by (...), holder of National ID No., and annul First Department to Adjudicate Value Added Tax Violations and Disputes in Riyadh Decision No. (VR-2021-337), and oblige Appellee (...), holder of National ID No. (...) to return the amount of tax in question amounting to (...) ... to Appellant (...), holder of National ID No. (...).

This decision was delivered in presence of both parties and is considered final and enforceable in accordance with Article (47) of Tax Dispute and Violation Committee Procedures

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.



Appeal Committee for Tax Violations and Disputes
First Appeal Department for Value Added Tax Violations
and Disputes
In Ritadh City

Decision No.: VA-2022-176
Case No.: V-72008-2021

Key words:

Value Added Tax – Purchase of Plot of Land – Dismissal of Appeal.

Abstract

Appellant filed this Case moving to abolish Decision No. (VSR-2021-344) delivered by The First Department to Adjudicate Value Added Tax Violations and Disputes in Riyadh (“Primary Department”) for obligating thereof to pay an amount representing the VAT resulting from his purchase of a plot of land from Appellee.

The Department Found That:

The Primary Department’s decision in question was consistent with the provisions of the Law and was justifiable grounds on which it was based and sufficient to carry its judiciary, as the issuing Department examined the source of the dispute therein and reached to the conclusion stated in its wording.

The Department Decided To:

Dismiss Appellant’s appeal and uphold the Primary Department’s decision.

Documents:

- Article (20.2) of [Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. \(26040\) dated 21/04/1441 AH](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)

Facts

Since facts of the Case have been stated in the appealed decision, the Department refers to that decision for avoidance of repetition. The appealed decision ruled as follows:

First: In Form:

Accept Plaintiff’s Case.

Second: On Merits:

- Oblige Defendant (Mr., holder of National ID No.) to pay Plaintiff (Mr., holder of National ID No.) the VAT in the amount of (SAR 73,150).
- Dismiss Plaintiff’s request to obligate Defendant to pay the attorney’s fees in the amount of (SAR 30,000).

Since Appellant was dissatisfied with this decision, it submitted a statement of appeal summarized as follows:

Taxpayer objects to the Primary Department’s decision for obligating thereof to pay an amount representing the VAT resulting from his purchase of a plot of land from Appellee, due to the Primary Department’s lack of jurisdiction to consider the dispute, as it has jurisdiction over disputes between the supplier obligated to pay the tax and the state, in accordance with Paragraph (5) of Clause (Third) of Royal Decree No. (M/113) of



02/11/1438 AH. Appellant concluded by requesting acceptance of his appeal and reversal of the Primary Department's decision.

Having presented the statement of appeal to Appellee, he submitted a Reply that included the following:

"1. The sales contract concluded between the parties explicitly states that (in the event of a value-added tax due to the state, the second party "the buyer," shall pay that tax).

2. According to the Income Tax Law promulgated by Royal Decree No. (M/1) of 15/01/1425 AH, The Tax Committees for Resolution of Tax Violations and Disputes are competent to consider the Case.

On Monday, 14/07/1443 AH, corresponding to 15/02/2022 AD, the First Appellate Department for Value Added and Excise Tax Violations and Disputes held its session via video conference to consider the submitted appeal, pursuant to the provisions of Article (15.2) of Tax Dispute and Violation Committee Procedures, which stipulates: "A circuit may hear the case using modern technological means provided by the General Secretariat." Having taken cognizance of documents and memoranda included in the Case file, as well as the appealed decision, and after discussion and deliberation, the Department decided to postpone consideration of the Case to Tuesday, 28/07/1443 AH, corresponding to 01/03/2022 AD, at 01:00 PM, and to inform parties thereto of that date to appear at the hearing.

On Tuesday, 28/07/1443 AH, corresponding to 01/03/2022 AD, the First Appellate Department for Value Added and Excise Tax Violations and Disputes held its session via video conference to consider the submitted appeal, pursuant to the provisions of Article (15.2) of Tax Dispute and Violation Committee Procedures, which stipulates: "A circuit may hear the case using modern technological means provided by the General Secretariat." Having taken cognizance of documents and memoranda included in the Case file, as well as the appealed decision, the Department has called parties to the Case, wherein Mr., holder of National ID No., appeared in his capacity as Appellee's Attorney, under POA No. Neither Appellant nor his Representative appeared at the hearing. After discussion and deliberation, the Department decided to grant Appellant second chance to appear at the hearing, to postpone consideration of the Case to Tuesday, 19/08/1443 AH, corresponding to 22/03/2022 AD, at 02:00 PM, and to inform parties thereto of that date to appear at the hearing.

On Tuesday, 19/08/1443 AH, corresponding to 22/03/2022 AD, the First Appellate Department for Value Added and Excise Tax Violations and Disputes held its session via video conference to consider the submitted appeal, pursuant to the provisions of Article (15.2) of Tax Dispute and Violation Committee Procedures, which stipulates: "A circuit may hear the case using modern technological means provided by the General Secretariat." Having taken cognizance of documents and memoranda included in the Case file, as well as the appealed decision, the Department has called parties to the Case, wherein Mr., holder of National ID No., appeared in his own capacity as Appellant; and Mr., holder of National ID No., in his capacity as Appellee's Attorney, under POA No. Accordingly, the Department decided to open the pleadings. Having asked Appellant regarding the Appeal, he maintained the statements, pleas, and grounds contained in the statement of appeal and memoranda previously submitted on the e-portal of the General Secretariat of Tax Committees. Having asked Appellee's Attorney regarding his response, he maintained the statements, pleas, and grounds contained in Reply previously submitted on the e-portal of the General Secretariat of Tax Committees. Having asked parties hereto whether they had further statements, they were satisfied with their earlier submissions. Therefore, the Department decided to adjourn the hearing for deliberation in preparation for delivering a decision



Grounds

In Form: Having perused the Income Tax Law promulgated by Royal Decree No. (M/1) of 15/01/1425 AH, as amended by Royal Decree No. (M/113) of 02/11/1438 AH, and the Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. (26040) of 21/04/1441 AH; and since the appeal was filed by a party having capacity within the prescribed statutory period and met its statutory requirements set forth in the provisions of Article (40.2) of Tax Dispute and Violation Committee Procedures, the Department has decided to accept the appeal in form.

On Merits: Having taken cognizance of documents included in Case file, requests, defenses, and pleas raised by parties thereto, the Department found that the dispute lies in Appellant's objection to the Primary Department's decision for obligating thereof to pay an amount representing the VAT resulting from his purchase of a plot of land from Appellee; and since it is established that the Primary Department's decision in question was consistent with the provisions of the Law and was justifiable grounds on which it was based and sufficient to carry its judiciary, as the issuing Department examined the source of the dispute therein and reached to the conclusion stated in its wording; and since this Department did not find any requirement for correction or further response in light of submissions and pleas presented thereto; Therefore, the Department satisfies to decide that the foregoing does not affect the conclusion reached in the appealed decision, and by extension, to dismiss Appellant's appeal and uphold the appealed decision as to conclusion it had in this regard, attributed to its grounds.

In light of the above grounds and after deliberation, the Department unanimously decided the following:

Decision

First:

Accept Appellant's appeal (Mr., holder of National ID No.) in form for being filed within prescribed statutory period.

Second:

Dismiss Appellant's appeal (Mr., holder of National ID No.) and uphold Decision No. (VSR-2021-344) delivered by The First Department to Adjudicate Value Added Tax Violations and Disputes in Riyadh.

May Allah's Blessings and Peace Be Upon Our Prophet Muhammad and His Family and Companions.



Appeal Committee for Tax Violations and Disputes
First Appeal Department for Value Added Tax Violations
and Disputes
In Ritadh City

Decision No.: VA-2022-182
Case No.: V-54483-2021

Key words:

Value-Added Tax Reassessment – Final Assessment Result – Outsourcing Revenues – Double Taxation – Acceptance of Appeal.

Abstract

Appellant (“Taxpayer”) filed this Case moving to abolish Decision No. (VSR-2021-766) delivered by The First Department to Adjudicate Value Added Tax Violations and Disputes in Jeddah (“Primary Department”) for dismissing its Case filed against ZATCA’s decision regarding the Final Assessment result for the tax period of February 2018.

The Department Found That:

As for item (Outsourcing Revenues), Taxpayer recruits its employees based on a contractual relationship in accordance with the laws and regulations of Ministry of Human Resources and Social Development.

As for item (Double Taxation on Contracts of “..... Company” and “Faculties of”), the dispute over the item in question lies in Taxpayer’s objection to ZATCA’s procedure in its incorrect amendment of the contracts concluded with “..... Company” and “Faculties of” Also, the Primary Department did not exhaust its jurisdiction over the item in question.

The Department Decided To:

Accept Taxpayer’s appeal and reverse the Primary Department’s decision.

Documents:

- Article (40.2) of [Tax Disputes and Violations Committee Procedures promulgated by Royal Order No. \(26040\) of 21/04/1441 AH.](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH.](#)
- Article (9.6) of [the Implementing Regulations of Law of Value Added Tax issued by ZATCA “Previously GAZT” Board of Directors Decision No. \(3839\) of 14/12/1438 AH, corresponding 14/11/2016 AD.](#)

Facts

Since facts of the Case have been stated in the appealed decision, the Department refers to that decision for avoidance of repetition. The appealed decision ruled as follows:

First: First: In Form:

Accept Plaintiff’s Case.

Second: On Merits:

Dismiss Plaintiff’s (..... Company, C.R. No.) Case due to the validity of Defendant’s decision regarding the tax period in question.

Since Taxpayer was dissatisfied with this decision, it submitted a statement of appeal summarized as follows:



Taxpayer objects to the Primary Department's decision for dismissing its Case filed against the decision issued by Zakat, Tax, and Customs Authority ("ZATCA"/ "Appellee") regarding the Reassessment of the tax period of February 2018, wherein Taxpayer requests to abolish the Primary Department's decision since the added amounts are exempt from the VAT, due to the fact that they relate to employee salaries and incentives. In addition, there is double taxation on the two contracts of "..... Company." Taxpayer concluded by requesting acceptance of its appeal and abolishment of the appealed decision.

Having presented the statement of appeal to ZATCA, it submitted a Reply that included the following:

"First: In Form: ZATCA requests the Department to verify that Taxpayer has submitted the appeal within the prescribed statutory period in accordance with the provisions of Article (40) of Tax Dispute and Violation Committee Procedures. In addition, Case No. (V-2020-23809), as shown in the e-portal of the General Secretariat of Tax Committees is in the "in session" phase, which indicates that it is inadmissible to consider the Case due to the lack of a ruling thereon. Second: On Merits: ZATCA hereby explains its point of view in the statement of appeal submitted by Taxpayer, by stating the following: 1. Having reviewed the statement of appeal submitted by Taxpayer, ZATCA found that the claims raised by Taxpayer are consistent with its earlier submissions, which had been previously discussed and addressed before the Primary Department. Also, Taxpayer expanded on presenting the concepts regarding the mechanism for applying the Labor Law and the orders issued thereby, and the mechanisms for tax treatments, citing the guidelines issued by ZATCA, thereby ignoring the fact that the issuance of these guidelines is for the purpose of guidance and clarifying ZATCA's point of view for some cases, as it was explicitly stated at the beginning of these guidelines that they are not binding on ZATCA in its tax treatment due to the difference in the forms and applications of the accounting treatment of the Law of Value Added Tax. 2. The basis of the dispute is Taxpayer's classification of its transactions to the provisions of Article (9.6) of the Implementing Regulations of the Law of Value Added Tax, which stipulates: "Activities performed by workers and other persons to the extent that they are contractually linked with the employer or associated with the work relationship shall not be considered as "Economic Activity," for registration purposes as per the Law and these Regulations." Having reviewed the contracts concluded by Taxpayer with its clients, and for the purpose of avoiding deviation from the context of the Case regarding the regularity of the accounting treatment applied thereto, ZATCA found that some contracts include supply of taxable goods and services at the basic rate, for example, but not limited to, Taxpayer's obligation were specified in the contract concluded with "..... Bank" to provide "debt collection services and the provision of operating tools and supplies," while other contracts, such as the contract concluded with "..... Bank" did not result in an employment relationship between the contracting client (the Bank) and the employee (assigned by Taxpayer), similar in nature to the contractual employment relationship between an employee and an employer stipulated in Article (9.6) of the said Implementing Regulations, as these contracts emphasized "the absence of a direct or indirect employment relationship between Taxpayer's client and the employee," and that the employees are subordinate to Taxpayer, which is solely responsible for all their contractual rights and obligations. Below are samples of contracts and the observations resulting therefrom, which prove that the provisions of Article (9.6) of the said Implementing Regulations do not apply to the Taxpayer's supplies:

Contract / Agreement	Service
"..... Bank"	Appointment of a telecommunications company to provide services, not recruiting.



“..... Company”	The quotation and contract indicate that it is for the provision of audit services, not recruiting, and there is no employer-employee relationship.
“..... Company”	The contract is not an employment contract, and neither employees nor any employer-employee relationship is mentioned.
“..... Company”	The contract is a platform rental contract, not an employment contract, and there is no employer-employee relationship.
“Faculties of ”	The purpose of the contract is management and operation services (i.e., operational services).
“..... Authority”	The purpose of the contract is to operate a call center, including the provision of services, equipment, and materials.
“..... Bank”	Appointment of a telecommunications company to provide services, not recruiting.

Accordingly, ZATCA subjected revenues to tax at the basic rate in accordance with Article (14) of the Implementing Regulations of the Law of Value Added Tax, which stipulates: “Without prejudice to the second article of the Law, for the purposes of applying the Agreement and the Law in the Kingdom, Tax is applied to all Taxable Supplies of Goods and services made in the Kingdom by a Taxable Person ...” 3. ZATCA maintains its viewpoint as detailed in its memoranda and documents submitted before the Primary Department regarding the contested items, as the First Department to Adjudicate Value Added Tax Violations and Disputes in Jeddah has upheld ZATCA’s decision since it came in compliance with the provisions of the law and regulations. In light of the above, ZATCA adheres to the validity and soundness of its decision. Third: Requests: ZATCA requests the Department to verify Taxpayer’s submission of its appeal within the prescribed statutory period in accordance with the provisions of Article (40) of Tax Dispute and Violation Committee Procedures, to uphold the Primary Department’s decision as to the conclusion it had regarding the contested items, while reserving its right to present further responses and clarifications before the closure of pleadings.

On Tuesday, 10/05/1443 AH, corresponding to 14/12/2021 AD, the First Appellate Department for Value Added and Excise Tax Violations and Disputes held its session via video conference to consider the submitted appeal, pursuant to the provisions of Article (15.2) of Tax Dispute and Violation Committee Procedures, which stipulates: “A circuit may hear the case using modern technological means provided by the General Secretariat.” Having taken cognizance of documents and memoranda included in the Case file, as well as the appealed decision, the Department has called parties to the Case, wherein Ms., holder of National ID No., appeared in her capacity as Taxpayer’s (“Appellant”) Attorney, under POA No.; and Mr., Saudi National, holder of National ID No., in his capacity as ZATCA’s (“Appellee”) Representative, by virtue of Authorization No., dated .../.../..., issued by ZATCA’s Deputy Governor for Legal Affairs and Compliance, a copy of which is attached to the Case file. Accordingly, the Department decided to open the pleadings. Having asked Taxpayer’s Attorney regarding the Appeal, she maintained the statements, pleas, and grounds contained in the statement of appeal and memoranda previously submitted on the e-portal of the General Secretariat of Tax Committees. Having asked ZATCA’s Representative regarding his response, he maintained the statements, pleas, and grounds contained in Reply previously submitted on the e-portal of the General Secretariat of Tax Committees. After deliberation and discussion, the Department decided to postpone consideration of the Case to Monday



21/06/1443 AH, corresponding to 24/01/2021 AD, to provide thereto with the documents requested from Taxpayer.

On Tuesday, 26/08/1443 AH, corresponding to 29/03/2022 AD, the First Appellate Department for Value Added and Excise Tax Violations and Disputes held its session via video conference to consider the submitted appeal, pursuant to the provisions of Article (15.2) of Tax Dispute and Violation Committee Procedures, which stipulates: “A circuit may hear the case using modern technological means provided by the General Secretariat.” Having taken cognizance of documents and memoranda included in the Case file, as well as the appealed decision, the Department has called parties to the Case, wherein Ms., holder of National ID No., appeared in her capacity as Taxpayer’s (“Appellant”) Attorney, under POA No.; and Mr., holder of National ID No., in his capacity as ZATCA’s (“Appellee”) Representative, by virtue of Authorization No., dated .../.../..., issued by ZATCA’s Deputy Governor for Legal Affairs and Compliance. Accordingly, the Department decided to open the pleadings. Having asked Taxpayer’s Attorney regarding the Appeal, she maintained the statements, pleas, and grounds contained in the statement of appeal and memoranda previously submitted on the e-portal of the General Secretariat of Tax Committees. Having asked ZATCA’s Representative regarding his response, he maintained the statements, pleas, and grounds contained in Reply previously submitted on the e-portal of the General Secretariat of Tax Committees. Having asked parties hereto whether they had further statements, they were satisfied with their earlier submissions. Therefore, the Department decided to adjourn the hearing for deliberation in preparation for delivering a decision

Grounds

In Form: Having perused the Income Tax Law promulgated by Royal Decree No. (M/1) of 15/01/1425 AH, as amended by Royal Decree No. (M/113) of 02/11/1438 AH, and the Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. (26040) of 21/04/1441 AH; and since the appeal was filed by a party having capacity within the prescribed statutory period and met its statutory requirements set forth in the provisions of Article (40.2) of Tax Dispute and Violation Committee Procedures, the Department has decided to accept the appeal in form.

On Merits: Having taken cognizance of documents included in Case file, requests, defenses, and pleas raised by parties thereto, the Department found that the dispute lies in Taxpayer’s objection to the Primary Department’s decision for dismissing its Case filed against ZATCA’s decision regarding the Final Assessment result for the tax period of February 2018, which included the following:

1. Item (Outsourcing Revenues):

Taxpayer objected to the Primary Department’s decision since the item in question represents revenues of the contracts of (“.....,” “..... Company,” “..... Bank,” “..... Bank,” “..... Bank,” and “..... Bank”), as they are revenues in the form of employee salaries; and since Taxpayer recruits its employees based on a contractual relationship in accordance with the laws and regulations of Ministry of Human Resources and Social Development, through a sample of the contracts and invoices it had submitted; and since Taxpayer has subjected the amounts of commissions as well as the other amounts collected to tax without imposing the same on the value of salaries and wages; and since the basis of the dispute lies in Taxpayer’s client outsourcing a service provider (Taxpayer) to carry out certain activities under a service contract, whose responsibility is to conduct job interviews and recruitment procedures with qualified individuals (under instructions they receive from the employer receiving the service), and upon acceptance of those qualified individuals, an employment contract is concluded to work for Taxpayer’s client, which result in an employment relationship the contracted client and the seconded employee in



accordance with the provisions of Article (9.6) of the Implementing Regulations of the Law of Value Added Tax, which renders the validity and soundness of Taxpayer's claim to not impose VAT on salaries and wages for the contracts in question; and since the Primary Department's decision, regarding the contract concluded with "..... Bank," has stated: "The Second Party in the contract concluded with "..... Bank" is "..... Company," not "..... Company," (Taxpayer), which Taxpayer depends on to provide the necessary staff;" and since Taxpayer is a party to the contract and that "..... Company" is a sister company; and since the invoices are issued in Taxpayer's name; Therefore, the Department satisfies to accept Taxpayer's appeal and reverse the Primary Department's decision as to the conclusion it had in this regard.

2. Item (Double Taxation on Contracts of "..... Company" and "Faculties of"): Since the dispute over the item in question lies in Taxpayer's objection to ZATCA's procedure in its incorrect amendment of the contracts concluded with "..... Company" and "Faculties of" by recalculating the tax on the same contracts, for which Taxpayer had previously claimed to have paid the tax to ZATCA; and since the Primary Department has failed to address the item in question, as it issued its decision on all contracts in general despite the different facts of the appeal; and since the Primary Department did not exhaust its jurisdiction over the item in question; Therefore, Department satisfies to accept Taxpayer's appeal regarding the item in question.

In light of the above grounds and after deliberation, the Department unanimously decided the following:

Decision

First:

Accept Taxpayer's (....., Company, C.R. No.) appeal in form for being filed within prescribed statutory period.

Second:

Accept Taxpayer's (....., Company, C.R. No.) appeal regarding item (Outsourcing Revenues) and reverse Decision No. (VSR-2021-766) delivered by The First Department to Adjudicate Value Added Tax Violations and Disputes in Jeddah, as well as ZATCA Decision.

Third:

Accept Taxpayer's (....., Company, C.R. No.) appeal regarding item (Double Taxation on Contracts of "..... Company" and "Faculties of"), reverse Decision No. (VSR-2021-766) delivered by The First Department to Adjudicate Value Added Tax Violations and Disputes in Jeddah, and remand the Case thereto for consideration on the same item.

May Allah's Blessings and Peace Be Upon Our Prophet Muhammad and His Family and Companions.



Appeal Committee for Tax Violations and Disputes
First Appeal Department for Value Added Tax Violations
and Disputes
In Ritadh City

Decision No.: VA-2022-207
Case No.: V-63338-2021

Key words:

Value Added Tax – Final Assessment Result – Zero-Rate Tax – Acceptance of Appeal.

Abstract

Appellant (“Taxpayer”) filed this Case moving to abolish Decision No. (VTR-2021-232) delivered by The Second Department to Adjudicate Value Added Tax Violations and Disputes in Riyadh (“Primary Department”) for dismissing its Case filed against ZATCA’s decision regarding the Final Assessment result for the tax period of January 2018, wherein Taxpayer requested not to calculate the VAT at the basic rate on the supplies of the contract concluded with MEWA since it is subject to a zero rate in accordance with Article (79.3) of the Implementing Regulations of the Law of Value Added Tax.

The Department Found That:

The appealed decision has upheld the tax treatment according to ZATCA’s Assessment that Taxpayer’s customer is a government agency with public authority status and was not registered for VAT and that the Government Agency “MEWA” is registered for VAT, according to the submitted documents. Also, it is established that a certificate was issued by MEWA has been submitted in accordance with Article (79.3/C) of the Implementing Regulations of the Law of Value Added Tax.

The Department Decided To:

Accept Taxpayer’s appeal and reverse the Primary Department’s decision.

Documents:

- Article (20.2) of [Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. \(26040\) dated 21/04/1441 AH](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH.](#)
- Article (79.3/C) of [Implementing Regulations of Law of Value Added Tax issued by ZATCA “Previously GAZT” Board of Directors Decision No. \(3839\) of 14/12/1438 AH, corresponding 14/11/2016 AD.](#)

Facts

Since facts of the Case have been stated in the appealed decision, the Department refers to that decision for avoidance of repetition. The appealed decision ruled as follows:

First: In Form:

Accept Plaintiff’s Case.

Second: On Merits:

Dismiss Plaintiff’s (..... Company, C.R. No.) Case regarding item (Taxable Local Sales at Basic Rate) for the tax period in question.

Since Taxpayer was dissatisfied with this decision, it submitted a statement of appeal summarized as follows:



Taxpayer objects to the Primary Department's decision for dismissing its Case filed against the decision issued by Zakat, Tax, and Customs Authority ("ZATCA"/ "Appellee") regarding the Reassessment of the tax period of January 2018, wherein Taxpayer requests to not calculate the VAT at the basic rate on the supplies of contracts concluded with the Ministry of Environment, Water, and Agriculture ("MEWA"), due to their compliance with the "Transitional Provisions" set forth in Article (79) of the Implementing Regulations of the Law of Value Added Tax. Taxpayer concluded by requesting acceptance of its appeal and abolishment of the appealed decision.

Having presented the statement of appeal to ZATCA, it submitted a Reply that included the following:

"Taxpayer's appeal lies in its objection to the Primary Department's decision for dismissing its Case filed on its merits based on Article (79.3) of the Implementing Regulations of the Law of Value Added Tax, as the Primary Department's decision came in compliance with the provisions of the Law of Value Added Tax and its Implementing Regulations. Accordingly, ZATCA hereby summarizes its response as follows: 1. Taxpayer submitted its Tax Return for the disputed tax period within the statutory timeframe. Based on Article (26.1) of the Law of Value Added Tax, which stipulates: "The Authority may conduct a tax assessment of a taxable person irrespective of the tax return filed by him" and Article (64.1) of the Implementing Regulations of the Law of Value Added Tax, which stipulates: "The Authority may make an assessment of the VAT obligations of a Person in respect of one or more Tax Periods," Accordingly, ZATCA reclassified the amounts declared by Taxpayer under item (Taxable Local Sales at Zero Rate) and included the same in item (Taxable Local Sales at Basic Rate). Such adjustment was made after Taxpayer's submission of a written certificate of supply to ZATCA; however, that certificate did not specify customer's eligibility to deduct input VAT, as required by Article (79.3) of the Implementing Regulations of the Law of Value Added Tax which was established by the Primary Department and ruled accordingly. The Primary Department also based its decision on the provisions of Article (9.5) of the same Implementing Regulations, which stipulates: "Any activity exercised by a government body in its capacity as a public authority may not be considered to be an Economic Activity for the purposes of the Law and these Regulations." Moreover, since Taxpayer's customer is a government agency and is operating under this contract in its capacity as a public authority, the customer is not entitled to deduct input VAT for the supplies under the contract. This is consistent with ZATCA's letter titled "Circular to All Government Agencies and Departments," which was submitted by Taxpayer in Case file.

2. Items (Late Payment Fine) and (Fine for Submission of Incorrect Tax Return):

Having reviewed Taxpayer's Tax Return and found thereof inaccurate, ZATCA issued a Final Assessment Notice, which resulted in a discrepancy in the VAT due that was not paid within the statutory deadline. Accordingly, a late payment fine was imposed for the months following the disputed tax period as explained previously, in accordance with Article (43) of the Law of Value Added Tax, which stipulates: "Any Person who fails to pay the Tax due during the period specified by the Regulations shall be liable to a fine equal to 5% of the value of the unpaid Tax for each month or part thereof for which the Tax has not been paid." A fine for submitting an incorrect return was also imposed pursuant to Article (42.1) of the same Law, which stipulates: "Any person who files an incorrect tax return to the Authority, amends a tax return after being filed, or files any document with the Authority in relation to the tax due by him which results in an error in the calculation of the tax amount resulting in an amount that is less than the tax due shall be subject to a fine equal to 50% of the difference between the calculated tax and the tax due."

On Tuesday, 25/04/1443 AH, corresponding to 30/11/2021 AD, the First Appellate Department for Value Added and Excise Tax Violations and Disputes held its session via

video conference to consider the submitted appeal, pursuant to the provisions of Article (15.2) of Tax Dispute and Violation Committee Procedures, which stipulates: “A circuit may hear the case using modern technological means provided by the General Secretariat.” Having taken cognizance of documents and memoranda included in the Case file, as well as the appealed decision, and after discussion and deliberation, the Department decided to postpone consideration of the Case for further examination.

On Tuesday, 05/08/1443 AH, corresponding to 08/03/2022 AD, the First Appellate Department for Value Added and Excise Tax Violations and Disputes held its session via video conference to consider the submitted appeal, pursuant to the provisions of Article (15.2) of Tax Dispute and Violation Committee Procedures, which stipulates: “A circuit may hear the case using modern technological means provided by the General Secretariat.” Having taken cognizance of documents and memoranda included in the Case file, as well as the appealed decision, and after discussion and deliberation, the Department decided to postpone consideration of the Case to Tuesday, 26/08/1443 AH, corresponding to 29/03/2022 AD, at 01:00 PM, and to inform parties thereto of that date to appear at the hearing.

On Tuesday, 26/08/1443 AH, corresponding to 29/03/2022 AD, the First Appellate Department for Value Added and Excise Tax Violations and Disputes held its session via video conference to consider the submitted appeal, pursuant to the provisions of Article (15.2) of Tax Dispute and Violation Committee Procedures, which stipulates: “A circuit may hear the case using modern technological means provided by the General Secretariat.” Having taken cognizance of documents and memoranda included in the Case file, as well as the appealed decision, the Department has called parties to the Case, wherein Mr., Saudi National, holder of National ID No., appeared in his capacity as Taxpayer’s (“Appellant”) Attorney, under POA No.; and Mr., holder of National ID No., in his capacity as ZATCA’s (“Appellee”) Representative, by virtue of Authorization No., dated 17/08/1442 AH, issued by ZATCA’s Deputy Governor for Legal Affairs and Compliance. Accordingly, the Department decided to open the pleadings. Having asked Taxpayer’s Attorney regarding the Appeal, she maintained the statements, pleas, and grounds contained in the statement of appeal and memoranda previously submitted on the e-portal of the General Secretariat of Tax Committees. Having asked ZATCA’s Representative regarding his response, he maintained the statements, pleas, and grounds contained in Reply previously submitted on the e-portal of the General Secretariat of Tax Committees. Having asked parties hereto whether they had further statements, they were satisfied with their earlier submissions. Therefore, the Department decided to adjourn the hearing for deliberation in preparation for delivering a decision.

Grounds

In Form: Having perused the Income Tax Law promulgated by Royal Decree No. (M/1) of 15/01/1425 AH, as amended by Royal Decree No. (M/113) of 02/11/1438 AH, and the Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. (26040) of 21/04/1441 AH; and since the appeal was filed by a party having capacity within the prescribed statutory period and met its statutory requirements set forth in the provisions of Article (40.2) of Tax Dispute and Violation Committee Procedures, the Department has decided to accept the appeal in form.

On Merits: Having taken cognizance of documents included in Case file, requests, defenses, and pleas raised by parties thereto, the Department found that the dispute lies in Taxpayer’s objection to the Primary Department’s decision for dismissing its Case filed against ZATCA’s decision regarding the Final Assessment result for the tax period of January 2018, wherein Taxpayer requested not to calculate the VAT at the basic rate on the supplies of the contract concluded with MEWA since it is subject to a zero rate tax in



accordance with Article (79.3) of the Implementing Regulations of the Law of Value Added Tax; and since the appealed decision has upheld the tax treatment according to ZATCA's Assessment that Taxpayer's customer is a government agency with public authority status and was not registered for VAT; and since this Department found that the Government Agency "MEWA" is registered for VAT, according to the submitted documents; and since it is established that a certificate was issued by MEWA has been submitted in accordance with Article (79.3/C) of the Implementing Regulations of the Law of Value Added Tax; Therefore, the Department satisfies to accept Taxpayer's appeal and reverse the Primary Department's decision.

In light of the above grounds and after deliberation, the Department unanimously decided as follows:

Decision

First:

Accept Taxpayer's (....., Company, C.R. No.) appeal in form for being filed within prescribed statutory period.

Second:

Accept Taxpayer's appeal (....., Company, C.R. No.) regarding item (Taxable Local Sales at Basic Rate), reverse Decision No. (VSR-2021-311) delivered by The Second Department to Adjudicate Value Added Tax Violations and Disputes in Riyadh, and deem the contract concluded with MEWA subject to the zero-rate tax.

May Allah's Blessings and Peace Be Upon Our Prophet Muhammad and His Family and Companions.



Appeal Committee for Tax Violations and Disputes
First Appeal Department for Value Added Tax Violations
and Disputes
In Ritadh City

Decision No.: VA-2022-218
Case No.: V-68586-2021

Key words:

VAT – Employee Salaries – Commercial Registration – Acceptance of Appeal.

Abstract

Appellant (“Taxpayer”) filed this Case moving to abolish Decision No. (VTR-2021-547) delivered by The Third Department to Adjudicate Value Added Tax Violations and Disputes in Riyadh (“Primary Department”) for dismissing its Case filed against ZATCA’s decision regarding the Final Assessment result for the tax period of February 2018, which included item (Taxable Local Sales at Basic Rate), wherein Taxpayer requested not to calculate the VAT at the basic rate since they are revenues represented by employee salaries;

The Department Found That:

As for item (Taxable Local Sales at Basic Rate), Taxpayer recruits its employees based on a contractual relationship in accordance with the laws and regulations of Ministry of Human Resources and Social Development, through a sample of the contracts and invoices it had submitted and that Taxpayer has subjected the amounts of commissions as well as the other amounts collected to tax without imposing the same on the value of salaries and wages. Also, the basis of the dispute lies in Taxpayer’s client outsourcing a service provider (Taxpayer) to carry out certain activities under a service contract, whose responsibility is to conduct job interviews and recruitment procedures with qualified individuals (under instructions they receive from the employer receiving the service), and upon acceptance of those qualified individuals, an employment contract is concluded to work for Taxpayer’s client, which result in an employment relationship the contracted client and the seconded employee in accordance with the provisions of Article (9.6) of the Implementing Regulations of the Law of Value Added Tax. Moreover, Taxpayer’s activity, according to the commercial registration, is to provide human resources, support services, and logistical support.

The Department Decided To:

Accept Taxpayer’s appeal and reverse the Primary Department’s decision.

Documents:

- Article (20.2) of [Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. \(26040\) dated 21/04/1441 AH](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH.](#)
- Article (9.6) of [the Implementing Regulations of Law of Value Added Tax issued by ZATCA “Previously GAZT” Board of Directors Decision No. \(3839\) of 14/12/1438 AH, corresponding 14/11/2016 AD](#)

Facts



Since facts of the Case have been stated in the appealed decision, the Department refers to that decision for avoidance of repetition. The appealed decision ruled as follows:

First: In Form:

Accept Plaintiff's Case.

Second: On Merits:

Dismiss Plaintiff's (Mr., holder of National ID No., in his capacity as Owner of Establishment, C.R. No.) Case regarding item (Taxable Local Sales at Basic Rate) for the tax period of February 2018.

Since Taxpayer was dissatisfied with this decision, he submitted a statement of appeal summarized as follows:

Taxpayer objects to the Primary Department's decision for dismissing its Case filed against the decision issued by Zakat, Tax, and Customs Authority ("ZATCA"/ "Appellee") regarding the Reassessment of the tax period of February 2018, wherein Taxpayer requests to abolish the Primary Department's decision since the added amounts are exempt from the VAT, due to the fact that they relate to employee salaries and incentives. Taxpayer concluded by requesting acceptance of his appeal and abolishment of the appealed decision.

Having presented the statement of appeal to ZATCA, it submitted a Reply that included the following:

"1. With regard to Taxpayer's appeal on item (Taxable Local Sales at Basic Rate), ZATCA adheres to the Primary Department's decision, as it came in compliance with the provisions of Article (14) of the Implementing Regulations of the Law of Value Added Tax. Also, the claims raised by Taxpayer are consistent with his earlier submissions, which had been previously discussed and addressed by ZATCA in detail until the issuance of the Primary Department decision upholding its procedure. 2. ZATCA's decision of reassessment of the tax period is valid and consistent with the tax provisions stipulated in the Law of Value Added Tax and its Implementing Regulations. In addition, Taxpayer's claim that the tax treatment is subject to zero-rate tax is also incorrect. ZATCA would also like to clarify the correct tax treatment in response to Taxpayer's appeal filed on the e-portal of the General Secretariat of Tax Committees. 3. Taxpayer's activity is to provide human resources and labor to other companies, where he contracts with his clients to provide them with workers, and then begins the recruitment procedures by conducting interviews with those qualified for the job. Upon acceptance of the qualified employee, Taxpayer enters into a contract with him, after which the employee is directed to Taxpayer's client. Taxpayer's responsibility is to pay that employee his monthly salary and monthly expenses, and then Taxpayer issues invoices to his clients that include the following items: a) The monthly salary paid to the employee; b) The administrative fees (Agreed upon in the written contract between the supplier and the client); and c) Monthly expenses. In addition, Taxpayer's claim, as stated in his statement of appeal, is that VAT should not be charged at its basic rate on the entire invoice issued by the customer, which includes salaries paid to employees, while the correct tax treatment is based on Taxpayer's revenues "supply of services," which resulted in subjecting the sales for the years 2018 and 2019 with a total value of (SAR 103,991,363) to the basic tax rate since Taxpayer had recognized these sales in the revenue item of the trial balance. Moreover, having examined the employment contracts concluded with the employees and the invoices issued to Taxpayer's clients, ZATCA found that Taxpayer does not separate the value of the commission from the salary when claiming payment from his client. Furthermore, Taxpayer's reliance on the conditions set forth in the guideline cannot be considered valid, as it is illegal and it is not binding on ZATCA. Nevertheless, Taxpayer did not comply with the conditions contained therein, as endorsed by the Primary Department in its decision issued.



4. Taxpayer's contracts with his customers do not establish a working relationship between the contracted customer and the employees, similar to that between the employee and the employer, as the employees are subordinate to Taxpayer and he is solely responsible for all their rights and obligations.

5. The amount that has been subjected to item (Taxable Local Sales at Basic Rate) for the period of November 2019 is (SAR 49,182,953.61), while the total amount that ZATCA has subjected is divided into two parts: First: An amount of (SAR 46,884,604) represented in the adjustment of sales in exchange for differences between the trial balance and the total sales in accordance with the Tax Returns for the entire year 2019, due to the inability to allocate the amount for each Tax Return separately. Accordingly, ZATCA subjected the amount to the basic tax rate in November 2019. Such procedure is considered statutory by ZATCA pursuant to Article (50) of the Law of Value Added Tax, which stipulates: "Subject to the provisions of Article (28) of the Law, the Authority shall be in charge of the administration, examination, assessment, and collection of tax, and shall, to this end, take any measures it deems fit." Second: An amount of (SAR 2,298,349.61) represented in the adjustment of item (Taxable Local Sales at Zero Rate) for November 2019. Accordingly, the total amounts are identical to the value of the amendment to the Tax Return of (SAR 49,182,953.61).

6. It is not possible under any circumstances to rely on the financial statements since the revenue entitlement is completely different in the financial statements from VAT Returns. For example, "advance payments" that do not appear in the revenue item in the financial statements; however, according to the laws and legislation, the advance payments are subject to tax, as stipulated in Article (23) of the Common VAT Agreement of the States, which stipulates: "Tax becomes due on the date of the supply of Goods or Services, the date of issuance of the tax invoice or upon partial or full receipt of the Consideration, whichever comes first, and to the extent of the received amount." Accordingly, due to the inaccuracy of the documents submitted to ZATCA, the difference in amounts at each stage of the examination and objection process thereto, and the final stage of the Primary Department, which upheld ZATCA's decision and the validity and soundness of its procedure. ZATCA requests dismissal of Taxpayer's appeal for the stated grounds."

On Tuesday, 26/08/1443 AH, corresponding to 29/03/2022 AD, the First Appellate Department for Value Added and Excise Tax Violations and Disputes held its session via video conference to consider the submitted appeal, pursuant to the provisions of Article (15.2) of Tax Dispute and Violation Committee Procedures, which stipulates: "A circuit may hear the case using modern technological means provided by the General Secretariat." Having taken cognizance of documents and memoranda included in the Case file, as well as the appealed decision, the Department has called parties to the Case, wherein Mr., Saudi National, holder of National ID No., appeared in his capacity as Taxpayer's ("Appellant") Attorney, under POA No.; and Mr., holder of National ID No., in his capacity as ZATCA's ("Appellee") Representative, by virtue of Authorization No., dated 17/08/1442 AH, issued by ZATCA's Deputy Governor for Legal Affairs and Compliance. Accordingly, the Department decided to open the pleadings. Having asked Taxpayer's Attorney regarding the Appeal, she maintained the statements, pleas, and grounds contained in the statement of appeal and memoranda previously submitted on the e-portal of the General Secretariat of Tax Committees. Having asked ZATCA's Representative regarding his response, he maintained the statements, pleas, and grounds contained in Reply previously submitted on the e-portal of the General Secretariat of Tax Committees. Having asked parties hereto whether they had further statements, they were satisfied with their earlier submissions. Therefore, the Department decided to adjourn the hearing for deliberation in preparation for delivering a decision.



Grounds

In Form: Having perused the Income Tax Law promulgated by Royal Decree No. (M/1) of 15/01/1425 AH, as amended by Royal Decree No. (M/113) of 02/11/1438 AH, and the Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. (26040) of 21/04/1441 AH; and since the appeal was filed by a party having capacity within the prescribed statutory period and met its statutory requirements set forth in the provisions of Article (40.2) of Tax Dispute and Violation Committee Procedures, the Department has decided to accept the appeal in form.

On Merits: Having taken cognizance of documents included in Case file, requests, defenses, and pleas raised by parties thereto, the Department found that the dispute lies in Taxpayer's objection to the Primary Department's decision for dismissing its Case filed against ZATCA's decision regarding the Final Assessment result for the tax period of February 2018, which included item (Taxable Local Sales at Basic Rate), wherein Taxpayer requested not to calculate the VAT at the basic rate since they are revenues represented by employee salaries; and since Taxpayer recruits its employees based on a contractual relationship in accordance with the laws and regulations of Ministry of Human Resources and Social Development, through a sample of the contracts and invoices it had submitted; and since Taxpayer has subjected the amounts of commissions as well as the other amounts collected to tax without imposing the same on the value of salaries and wages; and since the basis of the dispute lies in Taxpayer's client outsourcing a service provider (Taxpayer) to carry out certain activities under a service contract, whose responsibility is to conduct job interviews and recruitment procedures with qualified individuals (under instructions they receive from the employer receiving the service), and upon acceptance of those qualified individuals, an employment contract is concluded to work for Taxpayer's client, which result in an employment relationship the contracted client and the seconded employee in accordance with the provisions of Article (9.6) of the Implementing Regulations of the Law of Value Added Tax; and since Taxpayer's activity, according to the commercial registration, is to provide human resources, support services, and logistical support; Therefore, the Department satisfies to accept Taxpayer's appeal and reverse the Primary Department's decision as to the conclusion it had in this regard.

In light of the above grounds and after deliberation, the Department unanimously decided the following:

Decision

First:

Accept Taxpayer's (Mr., holder of National ID No., in his capacity as the Owner of Establishment, C.R. No.) appeal in form for being filed within prescribed statutory period.

Second:

Accept Taxpayer's (Mr., holder of National ID No., in his capacity as the Owner of Establishment, C.R. No.) appeal and reverse Decision No. (VTR-2021-547) delivered by The Third Department to Adjudicate Value Added Tax Violations and Disputes in Riyadh, as well as ZATCA Decision.

May Allah's Blessings and Peace Be Upon Our Prophet Muhammad and His Family and Companions.



Appeal Committee for Tax Violations and Disputes
First Appeal Department for Value Added Tax Violations
and Disputes
In Riyadh City

Decision No.: VA-2022-258
Case No.: V-52905-2021

Key words:

Value Added Tax – Reassessment – Final Assessment Result – Late Payment Fine – Taxable Local Procurement at Basic Rate – Acceptance of Appeal.

Abstract

Appellant (“Taxpayer”) filed this Case moving to abolish Decision No. (VTR-2021-232) delivered by The Third Department to Adjudicate Value Added Tax Violations and Disputes in Riyadh (“Primary Department”) for dismissing its Case filed against ZATCA’s decision regarding the Final Assessment result for the tax period of January 2019 and the imposition of a late payment fine.

The Department Found That:

As for item (Taxable Local Procurement at Basic Rate), the sample of documents submitted have proven that Taxpayer purchased airline tickets according to purchase invoices issued and meeting the conditions of tax invoices and sold these tickets to its customers in exchange for that service plus the commission amount, in addition to the daily entries and bank account statements.

The Department Decided To:

Accept Taxpayer’s appeal.

Documents:

- Article (40.2) of [Tax Disputes and Violations Committee Procedures promulgated by Royal Order No. \(26040\) of 21/04/1441 AH.](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)

Facts

Since facts of the Case have been stated in the appealed decision, the Department refers to that decision for avoidance of repetition. The appealed decision ruled as follows:

First: First: In Form:

Accept Plaintiff’s Case.

Second: On Merits:

Dismiss Plaintiff’s (..... Company, C.R. No.) Case.

Since Taxpayer was dissatisfied with this decision, it submitted a statement of appeal summarized as follows:

Taxpayer objects to the Primary Department’s decision for dismissing its Case filed against the decision issued by Zakat, Tax, and Customs Authority (“ZATCA”/ “Appellee”) regarding the Reassessment of the tax period of January 2019 and the imposition of a late payment fine, wherein Taxpayer requests to abolish the Primary Department’s decision due to the validity of its deduction of item (Taxable Local Procurement at Basic Rate)



under the documents it had submitted. Taxpayer concluded by requesting acceptance of its appeal and abolishment of the appealed decision.

Having presented the statement of appeal to ZATCA, it submitted a Reply that included the following:

- “1. ZATCA maintains its viewpoint as detailed in its memoranda and documents submitted before the Primary Department regarding the contested items.
2. The Decision No. (VTR-2021-232) delivered by the Third Department to Adjudicate Value Added Tax Violations and Disputes in Riyadh has upheld ZATCA’s decision since it came in compliance with the provisions of the law and regulations. Therefore, ZATCA adheres to the validity and soundness of its decision.
3. The claims raised by Taxpayer in its appeal are consistent with its earlier submissions, which had been previously discussed and addressed before the Primary Department. ZATCA maintains its viewpoint as detailed in its memoranda and documents submitted before the Primary Department regarding the items in question.
4. ZATCA amended item (Taxable Local Procurement at Basic Rate) pursuant to the provisions of Article (26.1) of the Law of Value Added Tax, which stipulates: “The Authority may conduct a tax assessment of a taxable person irrespective of the tax return filed by him,” and Article (64.1) of the Implementing Regulations of the Law of Value Added Tax, which stipulates: “The Authority may make an assessment of the VAT obligations of a Person in respect of one or more Tax Periods. The Authority shall provide notification to the Taxable Person when it issues such an assessment.” Such an amendment came after excluding amounts that violate the provisions of Article (48) of the Common VAT Agreement of GCC States, which stipulates: “1. For purposes of exercising the right of deduction, the Taxable Person must hold the following documents: a) the Tax Invoice received pursuant to the provisions of this Agreement.....,” and Article (53.5/E) of the Implementing Regulations of the Law of Value Added Tax, which stipulates: “A Tax Invoice shall include the following details in Arabic, in addition to any other language also shown on the Tax Invoice as a translation:; e) The name and the address of the Supplier and of the Customer,” which determines that the invoices submitted by Taxpayer clearly violate the provisions of the Common VAT Agreement of GCC States and the Implementing Regulations of the Law of Value Added Tax, as they were in a language other than Arabic and did not include Taxpayer’s name registered in the commercial registration. Accordingly, Taxpayer cannot exercise its right to deduct the input tax on those supplies. As for Taxpayer’s claim that ZATCA accepted previous tax periods and related guidelines, ZATCA clarifies that the provisions of the Agreement, the Law, and the Regulations are “jus cogens norms” and may not be violated.
5. Having reviewed Taxpayer’s Return for the tax period in question, ZATCA found that it was invalid, which necessitated amending the same due to a discrepancy between the calculated and due tax that was not paid on the statutory deadline. Accordingly, ZATCA imposed a late payment fine for the months following the tax period in question, in accordance with the provisions of Article (43) of the Law of Value Added Tax, which stipulates: “Any person who fails to pay the tax due within the period specified by the Regulations shall be subject to a fine equal to 5% of the amount of the unpaid tax for each month or part thereof for which the tax is not paid.” ZATCA concluded by requesting dismissal of Taxpayer’s appeal.

On Monday, 02/05/1443 AH, corresponding to 06/12/2021 AD, the First Appellate Department for Value Added and Excise Tax Violations and Disputes held its session via video conference to consider the submitted appeal, pursuant to the provisions of Article (15.2) of Tax Dispute and Violation Committee Procedures, which stipulates: “A circuit may hear the case using modern technological means provided by the General Secretariat.” Having taken cognizance of documents and memoranda included in the Case file, as well

as the appealed decision, the Department has called parties to the Case, wherein Mr., holder of National ID No., appeared in his capacity as Taxpayer's ("Appellant") Attorney, under POA No.; and Mr., holder of National ID No., in his capacity as ZATCA's ("Appellee") Representative, by virtue of Authorization No., dated .../.../..., issued by ZATCA's Deputy Governor for Legal Affairs and Compliance, a copy of which is attached to the Case file. Accordingly, the Department decided to open the pleadings. Having asked Taxpayer's Attorney regarding the Appeal, he maintained the statements, pleas, and grounds contained in the statement of appeal and memoranda previously submitted on the e-portal of the General Secretariat of Tax Committees. Having asked ZATCA's Representative regarding his response, he maintained the statements, pleas, and grounds contained in Reply previously submitted on the e-portal of the General Secretariat of Tax Committees. After deliberation and discussion, the Department decided to postpone consideration of the Case to another hearing and requested ZATCA's Representative to provide his answer regarding the following:

1. Is the Company's branch subject to separate tax treatment from the Parent Company?
2. Is the Company's branch submit Tax Returns that differ from those submitted by the Parent Company?

On 17/01/2022 AD, ZATCA submitted a Replication summarized as follows:

"With regard to the appeals submitted by (..... Company, TIN), and since the Department has requested in the previous hearing to respond to several inquiries, ZATCA hereby summarizes its response as follows: As for the "Tax Treatment of The Branch and Parent Company," ZATCA clarifies that the branches of a legal entity are considered part of a single taxable person for VAT purposes. If the legal entity has multiple subsidiary commercial registrations, its main commercial registration must be used for VAT registration purposes, in which case, Taxpayer is obligated to register and update the commercial registration data with ZATCA in accordance with the provisions of Article (8) of the Implementing Regulations of the Law of Value Added Tax. However, if the taxable person registers the company's branch for VAT independently and with a different TIN, ZATCA shall consider each activity as a separate entity, each of which submits its Tax Return independently of the other commercial activity registered with a different TIN. In this regard, ZATCA clarifies that "C.R. No.," shown in the documents attached by Taxpayer is registered with the Authority under "TIN" ZATCA also maintains its statements contained in its previous Reply that the invoices submitted by Taxpayer clearly violate the provisions of the Common VAT Agreement of GCC States and the Implementing Regulations of the Law of Value Added Tax, as they were in a language other than Arabic and did not include Taxpayer's name registered in the commercial registration. Additionally, ZATCA points out that the provisions of the Law of Tradenames Article (4) thereof confirmed that the trade name must "consist of Arabic or Arabized words." Moreover, the Law of Commercial Register confirmed the evidentiary force of registration data contained in the commercial registration, as stipulated in Article (13) thereof: "The data provided in the Commercial Register is considered evidence for or against the merchant as of the date on which it is registered. No obligatorily registered or entered data shall be used against any other party, unless such an action is taken." Accordingly, Taxpayer's deduction of tax invoices issued in a name other than its own is inconsistent with the provisions of the Law of Value Added Tax, its Implementing Regulations, and all relevant Regulations, as explained above."

On Monday, 14/06/1443 AH, corresponding to 17/01/2022 AD, the First Appellate Department for Value Added and Excise Tax Violations and Disputes held its session via video conference to consider the submitted appeal, pursuant to the provisions of Article (15.2) of Tax Dispute and Violation Committee Procedures, which stipulates: "A circuit



may hear the case using modern technological means provided by the General Secretariat.” Having taken cognizance of documents and memoranda included in the Case file, as well as the appealed decision, the Department has called parties to the Case, wherein Mr., holder of National ID No., appeared in his capacity as Taxpayer’s (“Appellant”) Attorney, under POA No.; and Ms., holder of National ID No., in her capacity as ZATCA’s (“Appellee”) Representative, by virtue of Authorization No., dated .../.../..., issued by ZATCA’s Deputy Governor for Legal Affairs and Compliance, a copy of which is attached to the Case file. Accordingly, the Department decided to open the pleadings. Having asked Taxpayer’s Attorney regarding the Appeal, he maintained the statements, pleas, and grounds contained in the statement of appeal and memoranda previously submitted on the e-portal of the General Secretariat of Tax Committees. Having asked ZATCA’s Representative regarding his response, he maintained the statements, pleas, and grounds contained in Replication previously submitted on the e-portal of the General Secretariat of Tax Committees. After deliberation and discussion, the Department decided to postpone consideration of the Case to another hearing and requested ZATCA’s Representative to provide a detailed response to the arguments presented by Taxpayer in its statement of appeal.

On 01/03/2022 AD, ZATCA submitted a Reply summarized as follows:

“With regard to the appeals submitted by (..... Company, TIN), and since the Department has requested in the previous hearing held on 17/01/2022 AD a detailed response to the arguments presented by Taxpayer in its statement of appeal, ZATCA hereby summarizes its response as follows: A) ZATCA maintains its viewpoint as detailed in its Replication submitted before the Department regarding the contested items. B) As for the legal basis for ZATCA’s procedure in amending item (Taxable Local Procurement at Basic Rate), ZATCA clarifies that it amended the item in question by excluding the procurements of travel tickets for the tax periods in question, as it found that Taxpayer had purchased these tickets and resold them with a commission, then declared the total value of the tickets sold in addition to the amount of the commission collected. Having examined the tax invoices, ZATCA found that they were issued in a language other than Arabic and did not contain Taxpayer’s name as a customer. Such amendment took place pursuant to Article (48) of the Common VAT Agreement of GCC States, which stipulates: “1. For purposes of exercising the right of deduction, the Taxable Person must hold the following documents: a) the Tax Invoice received pursuant to the provisions of this Agreement.....,” Article (23) of the Law of Value Added Tax stipulates: “The Regulations shall determine the following: 1. The contents and form of tax invoices, and the periods for the issuance thereof,” and Article (53.5/E) of the Implementing Regulations of the Law of Value Added Tax, which stipulates: “A Tax Invoice shall include the following details in Arabic, in addition to any other language also shown on the Tax Invoice as a translation:; e) The name and the address of the Supplier and of the Customer.” Accordingly, Taxpayer cannot exercise its right to deduct the input tax on those supplies due to its failure to possess the deduction evidence (tax invoice) that is consistent with the provisions of the Law of Value Added Tax and its Implementing Regulations. C) As for Taxpayer’s claim that the tax invoice was issued by the supplier in English and that the supplier’s obligation to apply the requirements of tax invoices is less, ZATCA clarifies that the provisions of the Law and its Implementing Regulations apply to all parties equally and all Taxpayers must abide by the terms and conditions contained therein. As for the requirements from other parties that result in issuing invoices in a language other than Arabic, ZATCA points out the fact that the provisions of Article (53) of the Implementing Regulations of the Law of Value Added Tax require that tax invoices be in Arabic in addition to any language in which they may be issued, indicating that Taxpayer is less burdened with submitting tax invoices in Arabic to ZATCA even if it is forced to issue the

same in another language for any reason. D) As for Taxpayer's claim that the branch in whose name the invoices were issued, as well as the statements it had provided from other parties to support the same, ZATCA adheres to the validity and soundness of its decision, as explained above, and affirms that the invoices do not include Taxpayer's name registered in the commercial registration. Moreover, the Law of Commercial Register confirmed the evidentiary force of registration data contained in the commercial registration, as stipulated in Article (13) thereof: "The data provided in the Commercial Register is considered evidence for or against the merchant as of the date on which it is registered. No obligatorily registered or entered data shall be used against any other party, unless such an action is taken." E) As for Taxpayer's claim regarding the results of a previous examination, ZATCA clarifies that the absence of amendments to Taxpayer's Returns after any examination and audit process should not be taken as evidence that it is an acknowledgement by ZATCA of the validity of the Tax Return submitted by Taxpayer, as the examination and audit processes are carried out in general in accordance with the data and documents available to ZATCA at the time, and that the issuance of a decision of Subsequent Reassessment is consistent with the explicit provisions of the Law of Value Added Tax, which authorized ZATCA to conduct a Tax Assessment irrespective of the Tax Return filed by Taxpayer, as Article (26) thereof stipulates: "1. The Authority may conduct a tax assessment of a taxable person irrespective of the tax return filed by him; 2. The Authority may conduct a new tax assessment to amend a previous assessment conducted thereby."

On Tuesday, 28/07/1443 AH, corresponding to 01/03/2022 AD, the First Appellate Department for Value Added and Excise Tax Violations and Disputes held its session via video conference to consider the submitted appeal, pursuant to the provisions of Article (15.2) of Tax Dispute and Violation Committee Procedures, which stipulates: "A circuit may hear the case using modern technological means provided by the General Secretariat." Having taken cognizance of documents and memoranda included in the Case file, as well as the appealed decision, the Department has called parties to the Case, wherein Mr., holder of National ID No., appeared in his capacity as Taxpayer's ("Appellant") Attorney, under POA No., which, upon verification, was expired on .../.../...; and Ms., holder of National ID No., in her capacity as ZATCA's ("Appellee") Representative, by virtue of Authorization No., dated 04/06/1442 AH, issued by ZATCA's Deputy Governor for Legal Affairs and Compliance, a copy of which is attached to the Case file. Having reviewed the detailed response and the Replication to the Department's inquiries submitted by ZATCA's Representative, the Department requested Taxpayer to provide its response to the documents submitted by ZATCA's Representative and decided to postpone consideration of the Case to another hearing in light of the upcoming submissions.

On 03/03/2022 AD, Taxpayer submitted a Rejoinder summarized as follows:

"A) With reference to ZATCA's Reply No. (2) to the appeal filed by Taxpayer "..... Company" against the Primary Department's decisions regarding the Final Assessment for the VAT Returns of 2018 and 2019, Taxpayer hereby summarizes its response as follows: ZATCA stated in its Reply that "C.R. No." is registered therewith under "TIN," which is a different number from Taxpayer's TIN. Taxpayer clarifies that ZATCA did not indicate TIN's date of registration and that the new TIN is actually linked to the commercial registration as of August 2021 AD, as Taxpayer's branch transferred that commercial registration to another company, and thus it was included under the TIN of the transferee company. Moreover, this Case is related to the years 2018 and 2019, prior to the transfer of the commercial registration to another company, which invalidates ZATCA's claim that there is another TIN associated with the commercial registration for the contested periods.



B) With reference to ZATCA's Reply No. (3) to the appeal filed by Taxpayer "..... Company" against the Primary Department's decisions regarding the Final Assessment for the VAT Returns of 2018 and 2019, Taxpayer hereby summarizes its response as follows: First: ZATCA stated in its Reply that it rejected Taxpayer's deduction of the VAT based on the provisions of Article (48) of the Common VAT Agreement of GCC States and Article (53) of the Implementing Regulations of the Law of Value Added Tax. Taxpayer clarifies that ZATCA addressed a portion of the aforementioned articles without addressing the other items contained in these articles, whether in the Common VAT Agreement or the Implementing Regulations of the Law of Value Added Tax, as ZATCA ignored the other items contained in these articles, which are as follows: 1. Paragraph No. (2) of Article (48) of the Common VAT Agreement of GCC States, which stipulates: "Each Member State may allow the Taxable Person to exercise the right of deduction in the event that a Tax Invoice is not available or does not meet the requirements provided for in this Agreement, provided that the value of Tax due can be established by any other means. 2. The Implementing Regulations of the Law of Value Added Tax interpreted the above paragraph in Article (53.7) thereof as stating that in cases where the taxable person does not have the documents specified in the agreement, he/she may claim the deduction when he/she is able to provide alternative evidence, such as other commercial documents, as deemed permissible by ZATCA, proving that the taxable person has been properly charged and paid the relevant VAT. Moreover, ZATCA has previously issued a guideline that was used by Taxpayer regarding the deduction of input tax and published on ZATCA's website, as it states: "In the event that input tax is deducted on tax invoices issued in a language other than Arabic, those invoices must include the necessary information in Arabic in addition to any other language used." This indicates that an invoice issued without information in Arabic will not be considered a valid tax invoice for VAT purposes in the Kingdom. In all cases, a taxable person who receives a supply of goods or services must maintain a valid tax invoice in Arabic to prove his/her right to deduct input tax. However, if an invoice issued in a language other than Arabic is maintained but meets all the other requirements for an invoice stipulated in the said Implementing Regulations, ZATCA may, at its discretion, allow the customer to use such an invoice as an alternative document to prove that the taxable person received the supply and charged with the input tax. Accordingly, the taxable person may use this invoice to exercise his/her right to deduct input tax, provided the following criteria are met:

1. The invoice must comply with the tax invoicing requirements set forth in the Implementing Regulations, other than being in Arabic.
2. The taxable person must have additional evidence that the VAT due to the supplier has been paid (commercial documents such as a bank statement or a receipt from the supplier). (Both the Primary Department and ZATCA have been provided with proof of payment. Also, Taxpayer is quite willing to provide the Department with the documents it deems appropriate).
3. The taxable person must provide ZATCA, upon request, with a certified translation of any invoice requested thereby during an audit or for any other reason (Taxpayer is fully prepared to translate any invoice requested by the Department or ZATCA).
4. The taxable person is not required to obtain prior approval from ZATCA to use invoices in a language other than Arabic as alternative evidence for input tax deduction from each invoice separately if the invoices meet all the criteria mentioned above.

Furthermore, as explained to the Department, regarding "..... Company" and "..... For Tourism and Travel Agency," the subject of the dispute with ZATCA is a matter beyond Taxpayer's control since it is obligated to purchase from airlines that are committed to issuing invoices in accordance with the instructions of the International Civil Aviation Organization "ICAO" and also in accordance with the "..... System" approved by ICAO, as ZATCA should have obligated local airlines to issue their sales invoices for



tickets in Arabic without penalizing travel and tourism agencies by preventing the deduction of the VAT paid on the invoices issued by airlines. Second: Questions raised by the Department during the hearings:

1. Has ZATCA ever accepted Taxpayer's action to deduct the VAT on purchase invoices issued by airlines in English and in the name of "..... For Tourism and Travel Agency"? ZATCA issued the Final Assessment for all periods for the years 2018 and 2019, which is now being contested before Department during the month of May 2020. Taxpayer clarifies that ZATCA had previously conducted an Assessment of the Tax Returns for the months of January and February 2019 during the month of May 2019. The Assessment result was that ZATCA had completed the examination and found that there was no need to make any amendments to the Tax Return. This only demonstrate that ZATCA had previously approved the purchase invoices on which the input tax was deducted in these two Tax Returns. (The Final Assessment Notices issued by ZATCA in this regard are attached herein). Additionally, during the Final Assessment process for the Tax Returns of January and February, ZATCA did not have any observations regarding the purchase invoices for which Taxpayer deducted the tax in these two Tax Returns. Moreover, Taxpayer is aware that ZATCA, according its Reply No., is entitled to conduct a new Tax Assessment to amend its previous assessment. However, ZATCA did not previously, during the Assessment of 2019, notify Taxpayer of the existence of any errors in the Tax Return.

2. Does ZATCA's decision to reject invoices issued in English apply to all travel and tourism agencies?

Through Taxpayer's communication with a number of travel and tourism agencies, and since this sector deals with local airlines in the same manner followed by Taxpayer through ICAO and in accordance with the Settlement System between member companies of "..... Organization," Taxpayer was informed that ZATCA, after conducting several assessments of these agencies' Tax Returns, has never previously rejected invoices issued in English by local airlines.

On Tuesday, 04/09/1443 AH, corresponding to 05/04/2022 AD, the First Appellate Department for Value Added and Excise Tax Violations and Disputes held its session via video conference to consider the submitted appeal, pursuant to the provisions of Article (15.2) of Tax Dispute and Violation Committee Procedures, which stipulates: "A circuit may hear the case using modern technological means provided by the General Secretariat." Having taken cognizance of documents and memoranda included in the Case file, as well as the appealed decision, the Department has called parties to the Case, wherein Mr., holder of National ID No., appeared in his capacity as Taxpayer's ("Appellant") Attorney, under POA No.; and Mr., holder of National ID No., in his capacity as ZATCA's ("Appellee") Representative, by virtue of Authorization No., dated 04/06/1442 AH, issued by ZATCA's Deputy Governor for Legal Affairs and Compliance, a copy of which is attached to the Case file. Accordingly, the Department decided to open the pleadings. Having asked Taxpayer's Attorney regarding the Appeal, he maintained the statements, pleas, and grounds contained in the statement of appeal and memoranda previously submitted on the e-portal of the General Secretariat of Tax Committees. Having asked ZATCA's Representative regarding his response, he maintained adheres statements, pleas, and grounds contained in Reply previously submitted on the e-portal of the General Secretariat of Tax Committees. Having asked parties hereto whether they had further statements, they were satisfied with their earlier submissions. Therefore, the Department decided to close pleadings and adjourn the hearing for deliberation in preparation for delivering a decision

Grounds

In Form: Having perused the Income Tax Law promulgated by Royal Decree No. (M/1) of 15/01/1425 AH, as amended by Royal Decree No. (M/113) of 02/11/1438 AH, and the Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. (26040) of 21/04/1441 AH; and since the appeal was filed by a party having capacity within the prescribed statutory period and met its statutory requirements set forth in the provisions of Article (40.2) of Tax Dispute and Violation Committee Procedures, the Department has decided to accept the appeal in form.

On Merits: Having taken cognizance of documents included in Case file, requests, defenses, and pleas raised by parties thereto, the Department found that the dispute lies in Taxpayer's objection to the Primary Department's decision for dismissing its Case filed against ZATCA's decision regarding the Final Assessment result for the tax period of January 2019 and the imposition of a late payment fine, which included the following: 1.

Item (Taxable Local Procurement at Basic Rate):

Taxpayer objected to the Primary Department's decision due to the validity of its deduction of the item in question under the documents it had submitted; and since the appealed decision has upheld ZATCA's decision since the tax invoices that Taxpayer is requesting to be deducted did not include a name identical matched Taxpayer's name as a customer; and since the tax invoices that Taxpayer is requesting to be deducted appeared under the name ".....," and since Taxpayer has submitted a trademark registration certificate issued by the Saudi Authority for Intellectual Property ("SAIP"), which showed the name "....." as a branch of "..... Company," and since the letters issued by Taxpayer's customers "....." show that ownership of the trade name "....." is linked to Taxpayer; and since the sample of documents submitted have proven that Taxpayer purchased airline tickets according to purchase invoices issued and meeting the conditions of tax invoices and sold these tickets to its customers in exchange for that service plus the commission amount, in addition to the daily entries and bank account statements; and since the nature of Taxpayer's activity is subject to the policies of airline companies to meet ICAO requirements and the Sales Settlement System ".....," as the criterion is to verify the occurrence of the facts that create the tax; thus, the connection of those tax invoices to Taxpayer under the supporting documents cannot be refuted except by valid and solid evidence; Therefore, the Department satisfies to accept Taxpayer's the appeal and reversing the Primary Department's decision.

2. Item (Late Payment Fine):

Taxpayer objected to the Primary Department's decision for dismissing its objection to the imposition of the late payment fine regarding the tax period in question; and since this Department has decided to accept Taxpayer's the appeal and reversing the Primary Department's decision regarding the above item; and since it is established that "The Resulting Occurrence Shall Take The Same Effect," Therefore, the Department satisfies to accept Taxpayer's the appeal regarding the item in question.

In light of the above grounds and after deliberation, the Department unanimously decided as follows:

Decision

First:

Accept Taxpayer's (....., Company, C.R. No.) appeal in form for being filed within prescribed statutory period.

Second:

Accept Taxpayer's (....., Company, C.R. No.) appeal regarding the Final Assessment of January 2019 and reverse Decision No. (VTR-2021-232) delivered by The Third Department to Adjudicate Value Added Tax Violations and Disputes in Riyadh, as well as ZATCA Decision.



Third:

Accept Taxpayer's (....., Company, C.R. No.) appeal regarding item (Late Payment Fine) and reverse Decision No. (VTR-2021-232) delivered by The Third Department to Adjudicate Value Added Tax Violations and Disputes in Riyadh, as well as ZATCA Decision.

May Allah's Blessings and Peace Be Upon Our Prophet Muhammad and His Family and Companions.



Appeal Committee for Tax Violations and Disputes
First Appeal Department for Value Added Tax Violations
and Disputes
In Ritadh City

Decision No.: VA-2022-295
Case No.: V-75924-2021

Key words:

Value Added Tax – Reassessment – Final Assessment Result – Nominal Supply – Adjustment of Revenues and Credit Notes.

Abstract

Appellant (“Taxpayer”) filed this Case moving to abolish Decision No. (VSR-2021-562) delivered by The Second Department to Adjudicate Value Added Tax Violations and Disputes in Riyadh (“Primary Department”) for dismissing its objection to ZATCA decision for the Final Assessment result for the tax period of June 2018.

The Department Found That:

As for item (Taxation of Training Services for Students of Public Universities at Basic Rate as Nominal Supply), the Department did not find any requirement for correction or further response in light of submissions and pleas presented thereto.

As for item (Adjustment of Revenues and Credit Notes), Taxpayer has submitted credit notes issued to insurance companies.

As for item (Taxation of Settlements between “..... Group” and Insurance Companies at Basic Rate), Taxpayer has provided evidence of the account settlement agreement, final settlement, tax invoices, and credit notices thereto.

The Department Decided To:

Accept Taxpayer’s appeal regarding items (Adjustment of Revenues and Credit Notes) and (Taxation of Settlements between “..... Group” and Insurance Companies at Basic Rate) and dismiss the same regarding item (Taxation of Training Services for Students of Public Universities at Basic Rate as Nominal Supply).

Documents:

- Article (40.2) of [Tax Disputes and Violations Committee Procedures promulgated by Royal Order No. \(26040\) of 21/04/1441 AH.](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH.](#)
- Article (54.3) of [the Implementing Regulations of Law of Value Added Tax issued by ZATCA “Previously GAZT” Board of Directors Decision No. \(3839\) of 14/12/1438 AH, corresponding 14/11/2016 AD](#)

Facts

Since facts of the Case have been stated in the appealed decision, the Department refers to that decision for avoidance of repetition. The appealed decision ruled as follows:

First: In Form:

Accept Plaintiff’s Case.

Second: On Merits:



- Dismiss Plaintiff's (..... Group, C.R. No.) Case regarding item (Taxable Local Sales at Basic Rate) for the tax period in question.
- Establish resolution of dispute regarding item (Late Payment Fine) for the tax period in question.

Since Taxpayer was dissatisfied with this decision, it submitted a statement of appeal summarized as follows:

Taxpayer objects to the Primary Department's decision for dismissing its Case filed against the decision issued by Zakat, Tax, and Customs Authority ("ZATCA"/ "Appellee") regarding the Reassessment of the tax period of June 2018, wherein Taxpayer requests to abolish the Primary Department's decision due to the invalidity of ZATCA decision in adding the training services for students at public universities to item (Taxable Local Sales at Basic Rate) as nominal supplies, adding sales represented by tax invoices issued for services that were not carried out since they were cancelled and regular credit notes were issued thereto, and adding discounts provided to insurance companies for taxable sales at the basic rate. Taxpayer concluded by requesting acceptance of its appeal and abolishment of the appealed decision.

Having presented the statement of appeal to ZATCA, it submitted a Reply that included the following:

"First: In Form: ZATCA requests the Department to verify that Taxpayer has submitted the appeal within the prescribed statutory period in accordance with the provisions of Article (40) of Tax Dispute and Violation Committee Procedures. Second: As on merits, Taxpayer's appeal centers in item (Taxable Local Sales at Basic Rate). ZATCA summarizes its response as follows:

A) ZATCA clarifies that the claims raised by Taxpayer in its appeal are consistent with its earlier submissions, which had been previously discussed and addressed before the Primary Department. ZATCA maintains its viewpoint as detailed in its memoranda and documents submitted before the Primary Department regarding the contested items.

B) With regard to item (Taxation of Training Services for Students of Public Universities at Basic Rate), ZATCA clarifies that, having examined Taxpayer's Tax Return and reviewed the agreements concluded by Taxpayer with its clients, it found that Taxpayer provides training services to students at public and private universities, and in return, charges fees for the training services provided to students at private universities. However, Taxpayer does not charge these fees for training students at public universities "..... University" and "..... University." In addition, the aforementioned agreements stipulate that the training headquarters be located in one of the Taxpayer's hospitals, which indicates that Taxpayer deducts the input tax incurred to operate the hospitals, yet in return, does not pay the output tax for the training services. Accordingly, ZATCA subjected the revenues to tax at the basic rate as a nominal supply pursuant to Article (8) of the Common VAT Agreement of GCC States, which stipulates: ".....; 2. A Taxable Person shall be deemed to have made a Supply of Services in any one of the following cases:; b) Supplying Services without Consideration; and 3. The provisions of this article shall apply if the Taxable Person has already deducted Input Tax related to the Goods and Services mentioned in this Article." Moreover, due to the inability to determine the price of the service, ZATCA calculated its price based on the fair market value by referring to the agreement concluded between Taxpayer and the customer, "Mr.," which set the value of the services at an amount of (SAR 1,800) per month for each trainee. Accordingly, ZATCA calculated that amount for each student at "..... University" and "..... University."

C) With regard to item (Taxation of Pre-Claim Adjustments and Cash Refunds at Basic Rate), ZATCA clarifies that Taxpayer stated in its objection and the letter attached to the Case file in Paragraph (Second/a/2) that these adjustments relate to the refunds of credit notes for customer cash invoices. The process is as follows: "When providing any services

or collecting any fees, Taxpayer issues tax invoices to its customers at the same time the service was provided or the amount was collected. At the same time, Taxpayer prepares a credit note (refund) for the tax invoice when the service is not provided and the amount is returned to the customer.” However, having examined the documents submitted by Taxpayer (refund vouchers), ZATCA found that if the insurance company bears part of the service that was cancelled, the patient “customer” will be refunded the cash portion that he paid, while the insurance company’s portion does not have a refund voucher. In return, Taxpayer adjusts the sales item for the full value of the cancelled service, and the adjustment is not limited to the customer’s paid share.

In addition, the refund vouchers do not separate the value of the cancelled service from its VAT, and the voucher does not mention the applicable tax rate or its value, nor does it mention the amount including the VAT, which constitutes a violation of the provisions of Article (54.3) of the Implementing Regulations of the Law of Value Added Tax, which stipulates: “A credit note or debit note issued in accordance with this article shall contain a reference to the sequential number of the Tax Invoice issued in respect of the initial Supply to which the credit note or debit note relates. Such credit note or debit note shall include the information required by article fifty-three of these Regulations to be shown on the Tax Invoice.” Moreover, Article (53.5) of the same Implementing Regulations stipulates: “A Tax Invoice shall include the following details in Arabic, in addition to any other language also shown on the Tax Invoice as a translation:; h) The taxable amount per rate or exemption, the unit price exclusive of VAT and any discounts or rebates if they are not included in the unit prices. i) The rate of Tax applied; and j) The amount of Tax payable, shown in riyals.” As for simplified tax invoices, Article (53.8) of the said Implementing Regulations obligates Taxpayer to clarify the payable tax or state that the consideration includes the VAT, as it stipulates: “A simplified tax invoice must include the following details: e) The Tax payable or a statement that the Consideration is inclusive of Tax in respect of the Supply of the Goods or services.” Accordingly, ZATCA subjected the revenues to tax at the basic rate with a total value of (SAR 80,385,404.22).

D) With regard to item (Taxation of Settlements between “..... Group” and Insurance Companies at (Basic Rate), ZATCA clarifies that Taxpayer stated in its objection and the letter attached to the Case file in Paragraphs Nos. (Second/c/2) and (Second/2.2) that there is an electronic system linked to the insurance companies’ systems to obtain prior approvals therefrom, which leaves no room for providing a service to a patient, as the payment of the consideration is being refused by the insurance company. Taxpayer also stated that the excluded amount represents final settlements with the insurance companies, as “..... Group” issues a credit note for the agreed-upon value. However, having examined the documents submitted by Taxpayer, ZATCA found that the discounts for which Taxpayer is requesting to adjust the supply value were not stipulated in the contracts concluded with the insurance companies “.....” Taxpayer also affirmed in a document it had submitted to ZATCA during the audit period, titled “.....”/ “List of Requests Received From ZATCA,” that the discount is agreed upon at the time of the settlement meeting between the executive directors of both parties (sometimes semi-annually or quarterly). The meeting minutes represent the document through which the pre-negotiated discount rate is documented, which determines that the discounts granted by Taxpayer to the insurance companies are rejected, as the insurance companies refuse the payment of a portion of the value of the services that were actually delivered by Taxpayer’s hospitals, and then “..... Group” considers the value of this rejection as additional discounts that are agreed upon later, as mentioned above, under which the value of sales and tax that were previously disclosed in the tax returns is reduced. Accordingly, this is not considered an adjustment to the value, as it is not stipulated in the contract. In addition, what confirms that they are rejected is that the meeting minutes in which the discount rate was agreed



upon between the insurance company and Taxpayer stipulate that the adjustment amounts resulted from the hospital's settlement and waiver of its dues to the insurance companies. However, these minutes did not indicate that the insurance company was granted any additional discounts, which leaves no room for doubt that the amounts are considered an agreement to settle debts and not discounts granted to the customer. Accordingly, they cannot be considered among the cases referred to in Article (40.1) of the Implementing Regulations of the Law of Value Added Tax. Moreover, the credit notes submitted by Taxpayer did not indicate the invoices that were adjusted and the reasons for the adjustment (whether discounts or returns). In light of the above, ZATCA adheres to the validity and soundness of its decision to subject them to tax at the basic rate pursuant to Article (40) of the Implementing Regulations of the Law of Value Added Tax.

Third: Requests:

In Form:

Verify Taxpayer's submission of its appeal within the prescribed statutory period in accordance with the provisions of Article (40) of Tax Dispute and Violation Committee Procedures.

On Merits:

Dismiss Taxpayer's objection and uphold the Primary Department's decision as to the conclusion it had regarding the contested items, while reserving its right to present further responses and clarifications before the closure of pleadings.

On Monday, 18/08/1443 AH, corresponding to 21/03/2021 AD, the First Appellate Department for Value Added and Excise Tax Violations and Disputes held its session via video conference to consider the submitted appeal, pursuant to the provisions of Article (15.2) of Tax Dispute and Violation Committee Procedures, which stipulates: "A circuit may hear the case using modern technological means provided by the General Secretariat." Having taken cognizance of documents and memoranda included in the Case file, as well as the appealed decision, the Department has called parties to the Case, wherein Mr., holder of National ID No., appeared in his capacity as Taxpayer's ("Appellant") Attorney, under POA No.; and Ms., holder of National ID No., in her capacity as ZATCA's ("Appellee") Representative, by virtue of Authorization No., dated 04/06/1442 AH, issued by ZATCA's Deputy Governor for Legal Affairs and Compliance, a copy of which is attached to the Case file. Accordingly, the Department decided to open the pleadings. Having asked Taxpayer's Attorney regarding the Appeal, he maintained the statements, pleas, and grounds contained in the statement of appeal and memoranda previously submitted on the e-portal of the General Secretariat of Tax Committees. Having asked ZATCA's Representative regarding her response, she maintained the statements contained in the Reply previously submitted to General Secretariat of Tax Committees. Having asked ZATCA's Representative regarding the possibility of the type of inputs that were deducted by Taxpayer being equivalent to the supply of student training services to public universities, with the response to be submitted by Thursday 28/08/1443 AH, corresponding to 31/03/2022 AD. Therefore, the Department decided to postpone consideration of the Case in light of the upcoming submissions.

On 05/04/2022 AD, ZATCA submitted a Replication summarized as follows: "With reference to Department's inquiry at the session held on 21/03/2022 AD, regarding the type of inputs deducted by Taxpayer in exchange for supplying student training services to public universities, ZATCA maintains its previous statements that the agreements concluded by Taxpayer with its customer stipulated that the training facility would be located in one of its hospitals, which indicates that Taxpayer deducts the input tax incurred to operate the hospitals, including, for example, electricity bills (Exhibits Nos. 1 & 2), yet



in return, does not pay the output tax for the training services provided at the training facility.

On Tuesday, 04/09/1443 AH, corresponding to 05/04/2022 AD, the First Appellate Department for Value Added and Excise Tax Violations and Disputes held its session via video conference to consider the submitted appeal, pursuant to the provisions of Article (15.2) of Tax Dispute and Violation Committee Procedures, which stipulates: “A circuit may hear the case using modern technological means provided by the General Secretariat.” Having taken cognizance of documents and memoranda included in the Case file, as well as the appealed decision, the Department has called parties to the Case, wherein Mr., holder of National ID No., appeared in his capacity as Taxpayer’s (“Appellant”) Attorney, under POA No.; and Mr., holder of National ID No., in his capacity as ZATCA’s (“Appellee”) Representative, by virtue of Authorization No., dated 04/06/1442 AH, issued by ZATCA’s Deputy Governor for Legal Affairs and Compliance, a copy of which is attached to the Case file. Having asked Taxpayer’s Attorney regarding the Appeal, he maintained the statements, pleas, and grounds contained in the statement of appeal and memoranda previously submitted on the e-portal of the General Secretariat of Tax Committees. Having asked ZATCA’s Representative regarding his response, he maintained the statements, pleas, and grounds contained in the statement of appeal and memoranda previously submitted on the e-portal of the General Secretariat of Tax Committees. Having asked Parties hereto whether they had further statements, Taxpayer’s Attorney stated that he had a letter from the Ministry of Health, instructing Taxpayer to train students in medical programs at public universities and requested a continuance to submit that letter to the Department, while ZATCA’s Representative was satisfied with his earlier submissions. Therefore, the Department decided to accept the request of Taxpayer’s Attorney to submit the said letter and to postpone consideration of the Case to another date in light of the upcoming submissions. On Monday, 10/09/1443 AH, corresponding to 11/04/2022 AD, the First Appellate Department for Value Added and Excise Tax Violations and Disputes held its session via video conference to consider the submitted appeal, pursuant to the provisions of Article (15.2) of Tax Dispute and Violation Committee Procedures, which stipulates: “A circuit may hear the case using modern technological means provided by the General Secretariat,” wherein Mr., holder of National ID No., appeared in his capacity as Taxpayer’s (“Appellant”) Attorney, under POA No., and stated that he was not able to find the letter requested in the previous hearing, and that the instructions were amicable with the Ministry of Health. He also maintained the statements, pleas, and grounds contained in the statement of appeal and memoranda previously submitted on the e-portal of the General Secretariat of Tax Committees. Having taken cognizance of documents and memoranda included in the Case file, as well as the appealed decision, the Department decided to adjourn the hearing for deliberation in preparation for delivering a decision.

Grounds

In Form: Having perused the Income Tax Law promulgated by Royal Decree No. (M/1) of 15/01/1425 AH, as amended by Royal Decree No. (M/113) of 02/11/1438 AH, and the Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. (26040) of 21/04/1441 AH; and since the appeal was filed by a party having capacity within the prescribed statutory period and met its statutory requirements set forth in the provisions of Article (40.2) of Tax Dispute and Violation Committee Procedures, the Department has decided to accept the appeal in form.

On Merits: Having taken cognizance of documents included in Case file, requests, defenses, and pleas raised by parties thereto, the Department found that the dispute lies in Taxpayer’s objection to the Primary Department’s decision for dismissing its Case filed



against ZATCA's decision regarding the Final Assessment result for the tax period of June 2018, which included the following:

1. Item (Taxation of Training Services for Students of Public Universities at Basic Rate as Nominal Supply):

Taxpayer objected to the Primary Department's decision since the item in question represent nominal supplies and requested abolishment of that decision.

The Department, having taken cognizance of the subject of dispute and documents included in Case file, found that, since it is established that the Primary Department's decision in question was consistent with the provisions of the Law and was justifiable grounds on which it was based and sufficient to carry its judiciary, as the issuing Department examined the source of the dispute therein and reached to the conclusion stated in its wording; and since this Department did not find any requirement for correction or further response in light of submissions and pleas presented thereto; Therefore, the Department satisfies to decide that the foregoing does not affect the conclusion reached in the appealed decision, and by extension, to dismiss Taxpayer's appeal and uphold the appealed decision as to conclusion it had in this regard, attributed to its grounds.

2. Item (Adjustment of Revenues and Credit Notes):

Taxpayer objected to the Primary Department's decision for upholding ZATCA in amending the Tax Return and adding the value of sales for invoices issued that were cancelled due to the failure to perform services thereon and subjecting their amounts to tax at the basic rate, and requested abolishment of that decision.

The Department, having taken cognizance of the subject of dispute, the appealed decision, and the mechanism for tax treatment of those revenues and ZATCA's response thereto; and since the basis of the appeal is based on the Taxpayer's request to exclude the amounts of those invoices since they relate to cancelled services that were not performed and for which regular credit notes were issued; and since the Department upheld ZATCA decision on the basis that Taxpayer did not submit supporting documents for its claim; and since ZATCA has considered those revenues as actual revenues resulting from services performed and not declared; and since Taxpayer has submitted credit notes issued to insurance companies that were consistent with the provisions and requirements of Article (54.3) of the Implementing Regulations of the Law of Value Added Tax; Therefore, the Department satisfies to accept Taxpayer's appeal and reverse the appealed decision as to conclusion it had in this regard.

3. Item (Taxation of Settlements between "..... Group" and Insurance Companies at Basic Rate),

Taxpayer objected to the Primary Department's decision since the item in question represents granted to insurance companies, and requested abolishment of that decision.

The Department, having taken cognizance of the subject of dispute and documents included in Case file, found that, since ZATCA added the item in question due to a lack of statement thereto in the contracts concluded with the insurance companies; and since Taxpayer has provided evidence of the account settlement agreement, final settlement, tax invoices, and credit notices thereto; and since ZATCA has failed to provide any evidence that negates the validity of the tax treatment of the item in question; Therefore, the Department satisfies to accept Taxpayer's appeal and reverse the appealed decision as to conclusion it had in this regard.

In light of the above grounds and after deliberation, the Department unanimously decided the following:

Decision

First:



Accept Taxpayer's (....., Company, C.R. No.) appeal in form for being filed within prescribed statutory period.

Second:

Dismiss Taxpayer's appeal (....., Company, C.R. No.) regarding item (Taxation of Training Services for Students of Public Universities at Basic Rate as Nominal Supply) and uphold Decision No. (VSR-2021-562) delivered by The Second Department to Adjudicate Value Added Tax Violations and Disputes in Riyadh.

Third:

Accept Taxpayer's appeal (....., Company, C.R. No.) regarding item (Adjustment of Revenues and Credit Notes) and reverse Decision No. (VSR-2021-562) delivered by The Second Department to Adjudicate Value Added Tax Violations and Disputes in Riyadh, as well as ZATCA Decision.

Fourth: Accept Taxpayer's appeal (....., Company, C.R. No.) regarding item (Taxation of Settlements between "..... Group" and Insurance Companies at Basic Rate) and reverse Decision No. (VSR-2021-562) delivered by The Second Department to Adjudicate Value Added Tax Violations and Disputes in Riyadh, as well as ZATCA Decision.

May Allah's Blessings and Peace Be Upon Our Prophet Muhammad And His Family
And Companions.



Appeal Committee for Tax Violations and Disputes
First Appeal Department for Value Added Tax Violations
and Disputes
In Riyadh

Decision No.: VA-2022-316
Case No.: V-66832-2021

Key words:

Value-Added Tax Real Estate Supply - Obligation of the Appellant - Appeal Rejection - Approval of Primary Committee's Decision

Abstract

The Appellant (the Taxpayer) seeks the annulment of the Primary Committee's Decision No. (VTR-2021-232) concerning the obligation to pay the amount representing the VAT due on the real estate supply in dispute. The Department found that the contested decision regarding the dispute at hand was in accordance with the provisions of the law and the valid reasoning upon which it was based, which was sufficient to support its ruling. The issuing Department thoroughly examined the core of the dispute and reached the conclusion stated in its verdict. Since the Appellate Department found no grounds for reconsideration or amendment in light of the arguments presented before it, the appeal was dismissed on merit, and Primary Committee's decision was upheld.

Documents:

- Article (40.2) of [Tax Disputes and Violations Committee Procedures promulgated by Royal Order No. \(26040\) of 21/04/1441 AH.](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)

Facts

Since facts of this case have been stated in the decision subject matter of appeal, Appellate Department refers to this decision for avoidance of repetition. Whereas the primary decision ruled to:

First: In form:

- Accept the case in form.

Second: On merits:

- Acceptance of the Claim of Plaintiff/ (...) holder of National ID No. (...), and oblige Defendant (...), National ID No. (...) to pay an amount of 142,500 SAR (one hundred forty-two thousand five hundred riyals), representing the remaining balance of the VAT due on the real estate supply in dispute, which was proven to have been supplied by the Plaintiff to Zakat, Tax, and Customs Authority.

Since this decision was not accepted by the Appellant, they submitted an appeal memorandum to the Appellate Department, objecting to the Primary Committee's decision to accept the claim of the Defendant (...) and obligate the Appellant to pay the VAT due on the real estate supply in dispute. The Appellant seeks the annulment of the committee's decision, arguing that there was an agreement between the Appellant and the



Defendant to share the tax burden equally. The Appellant concluded by requesting acceptance of the appeal and the annulment of Primary Committee's decision.

On Tuesday 03/05/1443 AH corresponding to 07/12/2021 AD, the First Appellate Department for Value Added and Excise Tax Violations and Disputes held a session to consider the filed appeal via video conference in accordance with Paragraph (2) of Article (15) of Tax Dispute and Violation Committee Procedures that stipulates: "A circuit may hear the case using modern technological means provided by the General Secretariat". The Department, having reviewed the case file, the parties' submissions and the appealed decision, after discussion and deliberation, the session was scheduled for Tuesday, January 25, 2022, at 1:00 PM. The parties shall be notified to attend.

On Tuesday 22/06/1443 AH corresponding to 25/01/2022 AD, the First Appellate Department for Value Added and Excise Tax Violations and Disputes held a session to consider the filed appeal via video conference in accordance with Paragraph (2) of Article (15) of Tax Dispute and Violation Committee Procedures that stipulates: "A circuit may hear the case using modern technological means provided by the General Secretariat". The Department, having reviewed the case file, the parties' submissions and the appealed decision, after calling both parties, the Appellant did not appear, nor did the Defendant. After discussion and deliberation, the Department decided to grant both parties another opportunity to attend and postpone the hearing to Monday, 13/07/1443 AH (corresponding to 14/02/2022), at 4:00 PM. The parties shall be notified to attend the session.

On Monday 19/07/1443 AH corresponding to 14/02/2022 AD, First Appellate Department for Value Added and Excise Tax Violations and Disputes held a session to consider the appeal filed via video conference in accordance with Paragraph (2) of Article (15) of Tax Dispute and Violation Committee Procedures that stipulates: "A circuit may hear the case using modern technological means provided by the General Secretariat". The Department, having reviewed the case file, the parties' submissions and the appealed decision, after calling both parties, the Appellant did not appear, despite having been duly notified of the session date. The Defendant (...) (ID No. ...) attended. In this session, the Department decided to request the Defendant to submit a response to the Appellant's appeal memorandum (...) and upload it to the system. The session was postponed to Tuesday, 05/08/1443 AH (corresponding to 08/03/2022), at 1:00 PM, and the parties shall be summoned to attend the session.

On Tuesday 05/08/1443 AH corresponding to 08/03/2022 AD, the First Appellate Department for Value Added and Excise Tax Violations and Disputes held a session to consider the filed appeal via video conference in accordance with Paragraph (2) of Article (15) of Tax Dispute and Violation Committee Procedures that stipulates: "A circuit may hear the case using modern technological means provided by the General Secretariat". The Department, having reviewed the case file, the parties' submissions and the appealed decision, after discussion and deliberation, the Department decided to postpone the hearing to Monday, 03/09/1443 AH (corresponding to 04/04/2022), at 9:00 PM, with the parties to be notified to attend the session.

On Monday, 03/09/1443 AH (corresponding to 04/04/2022), the session was convened via remote video conferencing, in accordance with the remote litigation procedures based on Clause (Second) of Article (Fifteen) of the Rules of Procedure for the Committees for Adjudication of Violations and Tax Disputes, issued under Royal Decree No. (26040) dated 21/04/1441 AH. After calling the parties, neither the Appellant nor their representative appeared, and neither the Defendant nor their representative attended, despite having been duly notified of the session date. Accordingly, the Department decided to close the session for deliberation, in preparation for issuing a decision.



Grounds

Based on Income Tax Law, issued under Royal Decree No. (M/1) dated 15/01/1425 AH, as amended by Royal Decree No. (M/113) dated 02/11/1438 AH, and after reviewing Tax Dispute and Violation Committee Procedures, issued under Royal Order No. (26040) dated 21/04/1441 AH.

Where the appeal was submitted by a person of capacity during the specified regulatory period and fulfilled its regulatory requirements in accordance with the provisions of Article 40.2 of Tax Dispute and Violation Committee Procedures, it should be accepted in form. Regarding the subject matter, upon reviewing case file, examining the documents and evidence, and considering the memoranda and responses submitted by both parties, the Appellate Department found that the decision issued by the Primary Department ruled in favor of accepting the claim of the Defendant (...) and obligating the Appellant to pay the amount representing the VAT on the real estate supply in dispute. It is established that the contested decision regarding the dispute under review is consistent with the provisions of the law and is based on sound reasoning sufficient to support its ruling. The issuing Department thoroughly examined the core of the dispute and reached the conclusion stated in its verdict. Since the Appellate Department has not identified any grounds for reconsideration or amendment in light of the arguments presented before it, it concludes that these arguments do not affect the outcome of the decision. Therefore, this Department concludes to dismiss this appeal and uphold the primary decision for the grounds stated therein.

For the aforementioned grounds, and after legal deliberation, the Department unanimously decided as follows:

Decision

First: Accept the appeal filed by (...), holder of National ID No., in form for submission during the period prescribed by law.

Second: Dismiss the appeal filed by (...), holder of National ID No., and uphold First Department to Adjudicate Value Added Tax Violations and Disputes in Jeddah Decision No. (VJ-2021-1053).

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.



Appeal Committee for Tax Violations and Disputes
First Appeal Department for Value Added Tax Violations
and Disputes
In Riyadh

Decision No.: VA-2022-317
Case No.: V-69572-2021

Key words:

Value-Added Tax Zero Rate - Final Assessment Result - fine for Filing Error - Late Payment fine - Appeal Rejection

Abstract

The Appellant (Taxpayer) requests annulment of Primary Committee's Decision No. (VTR-2021-232) regarding the imposition of tax at the standard rate instead of the zero rate. The Appellant objects to the rejection of their appeal concerning the final assessment result for the third quarter of 2019, as well as the fine for filing errors and the late payment fine. The contested decision regarding the dispute under review was found to be in accordance with the law and based on reasonable justifications sufficient to uphold its ruling. The issuing Department thoroughly examined the core of the dispute and reached the conclusion stated in its verdict. Since the Appellate Department has found no grounds for reconsideration or amendment in light of the arguments presented, it concludes that these arguments do not impact the outcome of the decision. As a result, the appeal is rejected, and the Primary Committee's decision is upheld.

Documents:

- Article (40.2) of [Tax Disputes and Violations Committee Procedures promulgated by Royal Order No. \(26040\) of 21/04/1441 AH.](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)

Facts

Since facts of this case have been stated in the decision subject matter of appeal, Appellate Department refers to this decision for avoidance of repetition. Whereas the primary decision ruled to:

First: In Form: Accept Plaintiff's claim.

Second: On merits:

Rejection of the claim filed by the Plaintiff, (... Company) Ltd., Commercial Registration No. (...), regarding the reassessment for the third quarter of 2019.

Rejection of the claim filed by the Plaintiff (... Company) Ltd., Commercial Registration No. (...), regarding the fine for filing errors resulting from the final reassessment for the third quarter of 2019.

Rejection of the claim filed by the Plaintiff (... Company) Ltd., Commercial Registration No. (...), regarding the late payment fine resulting from the final reassessment for the third quarter of 2019.

Since this decision was not accepted by the Appellant, they submitted an appeal memorandum to the Appellate Department, objecting to the committee's decision to reject their appeal against Defendant's decision regarding the final assessment notice for the third quarter of 2019, the fine for filing errors, and the late payment fine. The Appellant objects



to Defendant's decision regarding the imposition of tax at the standard rate instead of the zero rate. The appeal concluded with a request to accept the appeal and annul committee's decision.

Upon presenting the Appellant's memorandum to the Defendant, they submitted a response memorandum, which can be summarized as follows: "1. During the tax return audit period, ZATCA determined that there were no exports registered under the Taxpayer's name. Additionally, the Appellant failed to provide evidence that the goods had been cleared for export outside the GCC region, which constitutes a violation of Article (32) of the Implementing Regulations of the VAT Law. 2. Regarding the fine for filing errors and the late payment fine, due to the findings of the audit and assessment for the tax period under dispute, the fines were imposed based on the provisions of Paragraph (1) of Article (42) and Article (43) of the VAT Law."

On Tuesday 11/09/1443 AH, corresponding to 12/04/2022 AD, the First Appeal Department for Value Added and Excise Tax Violations and Disputes held a session via video conference to hear the appeal based on Article 15.2 of Tax Dispute and Violation Committee Procedures, which stipulates that: "Department sessions may be held using modern technological means provided by the General Secretariat." case file, along with all memoranda and documents, as well as the Primary Department's decision under appeal, was reviewed. Accordingly, the Department decided to adjourn the session for further study, deliberation, and issuance of the decision.

Grounds

Based on Income Tax Law, issued under Royal Decree No. (M/1) dated 15/01/1425 AH, as amended by Royal Decree No. (M/113) dated 02/11/1438 AH, and after reviewing Tax Dispute and Violation Committee Procedures, issued under Royal Order No. (26040) dated 21/04/1441 AH.

Where the appeal was submitted by a person of capacity during the specified regulatory period and fulfilled its regulatory requirements in accordance with the provisions of Article 40.2 of Tax Dispute and Violation Committee Procedures, it should be accepted in form. Regarding the subject matter, upon reviewing case file, examining the documents and evidence, and considering the memoranda and responses submitted by both parties, the Appellate Department found that the decision issued by the Primary Department ruled to reject the claim filed by (... Company) against Zakat, Tax, and Customs Authority. The Appellant objects to the rejection of their appeal regarding the final assessment result for the third quarter of 2019, the fine for filing errors, and the late payment fine. It is established that the contested decision regarding the dispute under review is consistent with the provisions of the law and is based on valid reasoning sufficient to uphold its ruling. The issuing Department thoroughly examined the core of the dispute and reached the conclusion stated in its verdict. Since the Appellate Department has not identified any grounds for reconsideration or amendment in light of the arguments presented, it concludes that these arguments do not affect the outcome of the decision. Based on the above, the Department ruled to reject the appeal and uphold the Primary Department's decision.

For the aforementioned grounds, and after legal deliberation, the Department unanimously decided as follows:

Decision

First: Acceptance of the appeal submitted by (... Company) Ltd. (Commercial Registration No. ...). in form for submission during the period prescribed by law.



Second: Rejection of the appeal submitted by (... Company) C.R. No. (...), (regarding the adjusted VAT item for the third quarter of 2019, and upholding the decision of the Third Department for the Adjudication of VAT Violations and Disputes in Riyadh, Decision No. (VTR-2021-644).

Third: Rejection of the appeal submitted by (... Company) (Commercial Registration No. ...) regarding the fine for filing errors and the late payment fine, and upholding the decision of the Third Department for Value Added Tax Violations and Disputes in Riyadh.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.



Appeal Committee for Tax Violations and Disputes
First Appeal Department for Value Added Tax Violations
and Disputes
In Riyadh

Decision No.: VA-2022-319
Case No.: V-71493-2021

Key words:

Value-Added Tax Final Assessment - Zero Rate - Appeal Acceptance

Abstract

The Appellant (Taxpayer) seeks the annulment of Committee Decision No. (VR-2021-254) regarding the final assessment result for June 2018. The Appellant argues that VAT at the standard rate should not be imposed on the contract signed with (...) on 01/05/2015, as it is subject to the zero rate. The Department found that the term "taxes" was used generally without specification. Therefore, The Department hereby ruled to accept the appeal and dismiss the primary decision.

Documents:

- Paragraph (2) of Article (20) of [Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. \(26040\) dated 21/04/1441 AH](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)

Facts

Since facts of this case have been stated in the decision subject matter of appeal, Appellate Department refers to this decision for avoidance of repetition. Whereas the primary decision ruled to:

First: In form: Accept Plaintiff's case in form.

Second: On merits:

- Upholding cancellation of late payment fines totaling SAR (688,120.86), authorized by the General Authority of Zakat and Tax in this case.
- Rejection of Plaintiff's request, (... Company) (Commercial Registration No. (...), to annul ZATCA's decision regarding the reassessment of the tax period for June 2018 and the imposition of VAT amounting to 183,229 SAR.

As this decision was not accepted by the Appellant, it submitted an Appeal Statement to the Appellate Department, objecting to Primary Committee's decision, which rejected its claim requesting annulment of Appellee's (Zakat, Tax, and Customs Authority) decision regarding the reassessment for June 2018 and the imposition of VAT. It requests annulment of Primary Committee's decision on the grounds that the contract was concluded before application of VAT and meets the conditions specified in paragraph (3) of Article (79) of the Implementing Regulations of VAT Law. The Appellant concluded by requesting acceptance of the Appeal and annulment of Committee's decision.

In response to Appellant statement, Appellee submitted a counter-argument, summarized as follows: "Appellant's Appeal is summarized in the following items: 1. Local sales subject to the standard tax rate. ZATCA summarizes its response as follows: 1. Regarding Appellant's appeal concerning local sales subject to the standard tax rate, ZATCA informs the esteemed Department that it upholds Primary Committee's decision, as the decision



aligns with the provisions of Article (79) of the Implementing Regulations of VAT Law. 2. The Appellant objects to the inclusion of contract's supplies under local sales subject to the standard tax rate and the non-application of the transitional provisions stated in Article (79) of the Implementing Regulations." After reviewing the contract concluded by the Plaintiff with (...), it is clear that Article (60) addresses the issue of tax, stating as follows: "The contractor is subject to the Kingdom's tax and fee regulations and is responsible for paying them within their specified deadlines and in the required amounts to the relevant authority. If there is an increase or decrease in taxes and fees in the Kingdom after the date of tender, the contract value shall increase or decrease accordingly by the difference ...". 3. ZATCA affirms that the term "taxes" used in the contract is general, and the general remains as such unless there is evidence to specify otherwise, encompassing all types of taxes, including VAT. Consequently, the application of VAT became an anticipated matter, and therefore, the supply cannot be treated as zero-rated, as the primary condition (unanticipated application of VAT) is not met. 4. Based on all the above, and given the explicit language in paragraph (3) of Article (79) of the Implementing Regulations of VAT Law stating, "Any Supply of Goods or services made in respect of a contract which does not anticipate the application of VAT to the Supply may be treated as zero-rated by the Supplier", ZATCA upholds the validity and correctness of its decision.

On Tuesday 11/09/1443 AH, corresponding to 12/04/2022 AD, the First Appeal Department for Value Added and Excise Tax Violations and Disputes held a session via video conference to hear the appeal based on Article 15.2 of Tax Dispute and Violation Committee Procedures, which stipulates that: "Sessions of Appellate may be held via modern technological means provided by the General Secretariat." Case file, along with all memoranda and documents, as well as the Primary Department's decision under appeal, was reviewed. Accordingly, the Department decided to adjourn the session for deliberation and issuance of the decision.

Grounds

Based on Income Tax Law, issued under Royal Decree No. (M/1) dated 15/01/1425 AH, as amended by Royal Decree No. (M/113) dated 02/11/1438 AH, and after reviewing Tax Dispute and Violation Committee Procedures, issued under Royal Order No. (26040) dated 21/04/1441 AH.

Where the appeal was submitted by a person of capacity during the specified regulatory period and fulfilled its regulatory requirements in accordance with the provisions of Article 40.2 of Tax Dispute and Violation Committee Procedures, it should be accepted in form.

On Merits: The Appellate Department, having taken cognizance of Case documents and examined the documents included therein, and after reviewing memorandums and answers provided by both parties, found that the decision delivered by the Primary Department ruled to accept the Case filed by Plaintiff (... Company) against Zakat, Tax, and Customs Authority. The Appellant objects to the rejection of its objection concerning the final assessment for June 2018, and requests that VAT at the standard rate not be imposed on the contract concluded with (...) on 01/05/2015, as it claims it shall be subject to the zero rate. The Appeal is based on the inclusion in the contract of the phrase "all types of taxes," with the term "taxes" stated generally without specification. Since, according to the documents submitted, the contract was entered into before 30/05/2017 and before the approval and publication of the Common VAT Agreement of the States of the Gulf Cooperation Council (GCC) on 21/04/2017 regarding the unified imposition of VAT in the GCC, it is unreasonable to have anticipated the application of VAT at that time, as the plain meaning of the text includes all taxes imposed at that time. Consequently, the



Department sees fit to accept the Appeal on this item and overturn Primary Committee's decision.

For the aforementioned grounds, and after legal deliberation, the Department unanimously decided as follows:

Decision

First: Acceptance of the appeal submitted by (...), Commercial Registration No. (...), in form for submission during the period prescribed by law.

Second: Acceptance of Appeal submitted by / (..), Commercial Registration No. (...) Regarding local sales subject to the standard tax rate, annulment of the decision of the First Department to Adjudicate Value Added Tax Violations and Disputes in Riyadh, Decision No. (VR-2021-254), and cancellation of ZATCA's decision regarding the reassessment for the tax period of June 2018, considering the contract with (...) as subject to the zero tax rate.



Appeal Committee for Tax Violations and Disputes
First Appeal Department for Value Added Tax Violations
and Disputes
In Riyadh

Decision No.: VA-2022-335
Case No.: V-52788-2021

Key words:

Value-Added Tax Right of Defense - Refusal to Respond

Abstract

The Appellant (ZATCA) requests the annulment of Committee Decision No. (VD-2020-702), arguing that the Primary Committee's decision violated litigation principles and deprived the Appellant of its right to defend itself. The contested decision was based on the Appellant's failure to respond to the Taxpayer's claim on its merits, despite being formally notified by the General Secretariat of the Tax Committees on 14/01/2021 to submit a substantive response. The Department found that the acceptance of the claim in form directly impacts the validity of the contested decision on its merits, without properly examining the legal and regulatory foundations of the claim, addressing the Plaintiff's requests, or reviewing and analyzing the submitted documents. Since the procedure followed by the committee cannot be considered a valid administrative action, the decision is procedurally flawed. As a result, the appeal submitted by Zakat, Tax, and Customs Authority is accepted, the Primary Committee's decision is annulled, and the case is remanded for reconsideration on its merits.

Documents:

- Paragraph (2) of Article (20) of [Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. \(26040\) dated 21/04/1441 AH](#)
- Article (15) of [Law of Procedure before the Board of Grievances issued by Royal Decree No. \(M/3\) dated 22/01/1435 AH](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)

Facts

Since facts of this case have been stated in the decision subject matter of appeal, Appellate Department refers to this decision for avoidance of repetition. Whereas the primary decision ruled to:

First: In form: Accept the Case in form.

Second: On merits:

- Acceptance of the claim filed by the Plaintiff, (... Company), Commercial Registration No. (...), and annulment of Zakat, Tax, and Customs Authority's decision under dispute.

Since this decision was not accepted by the Appellant, Zakat, Tax, and Customs Authority, it submitted an appeal memorandum to the Appellate Department, objecting to the



Primary Committee's decision to accept the claim of Plaintiff/ (...) and annul its decision. The Appellant argues that the Primary Committee's decision violated litigation principles by failing to properly examine the subject matter of the case, depriving one of its key parties of the right to defend itself and submit a substantive response, despite the committee's own approval of the claim's acceptance in form. ZATCA further contends that the committee violated applicable legal provisions and established administrative dispute principles concerning default procedures, which were incorrectly applied to a party without judicial authority. The appeal concluded with a request for acceptance of the appeal and annulment of the Primary Committee's decision.

On Monday 15/10/1443 AH, corresponding to 16/05/2022 AD, the First Appeal Committee for Value Added and Excise Tax Violations and Disputes held a session to consider the appeal submitted via video conference, based on Article 15.2 of Tax Dispute and Violation Committee Procedures, which stipulates that: Sessions of the Department may be held via modern technological means provided by the General Secretariat". Case file, along with all memoranda and documents, was reviewed, as well as decision of the Adjudication Department under appeal. After discussion and deliberation, the Department decided to adjourn the session and issue a decision.

Grounds

Based on Income Tax Law, issued under Royal Decree No. (M/1) dated 15/01/1425 AH, as amended by Royal Decree No. (M/113) dated 02/11/1438 AH, and after reviewing Tax Dispute and Violation Committee Procedures, issued under Royal Order No. (26040) dated 21/04/1441 AH.

Where the appeal was submitted by a person of capacity during the specified regulatory period and fulfilled its regulatory requirements in accordance with the provisions of Article 40.2 of Tax Dispute and Violation Committee Procedures, it should be accepted in form. Upon reviewing case file, examining the documents and evidence, and considering the memoranda and responses submitted by both parties, the Appellate Department found that the Primary Committee's decision ruled to accept Plaintiff's claim (... Company) and annul the Appellant's decision (Zakat, Tax, and Customs Authority). The Appellant objects to the Primary Committee's decision, arguing that it violated litigation principles and deprived ZATCA of its right to defend itself. The contested decision was based on the Appellant's failure to respond to the Taxpayer's claim on its merits, despite being formally notified by the General Secretariat of the Tax Committees on 14/01/2021 to submit a substantive response. According to the findings in the contested decision, the committee considered the Appellant's failure to respond as a refusal to answer, leading to the annulment of its decision. However, the Department finds that the committee's approach in annulling the Appellant's decision contradicts established administrative judicial principles. Paragraph (5) of Article (15) of the Implementing Regulations for the Law of Civil Procedures before the Board of Grievances states: "In the application of Paragraph (2) of this Article, if the documents proving the case are practically only with the administration, then the case shall be subject to ruling if the Plaintiff submits, in principle, what is based on his claim and support his entitlement what he is claiming. But if the documents are shared between the Plaintiff and the administration side, or they are practically under his possession or he can obtain them from another party other than the Defendant, hence, it is not sufficient for the case to be decided by the failure of the administration body to attend, the failure to answer the case, or the failure to submit what was requested of its documents;" and by extrapolating legal provisions in the relevant judicial rules and regulations, the Department found that Government Agency's Representative failure to respond to subject of the case does not mean its validity, and it is not correct to state that the decision to accept a case in form affects the validity of the



appealed decision on its merits without examining legal and statutory grounds of the case, nor discussing Plaintiff's requests, as well as studying and reviewing the submitted documents; and since the procedure taken by the Primary Department cannot be considered a supporting administrative procedure; Therefore, the Department satisfies to accept the appeal and abolish the appealed decision.

For the aforementioned grounds, and after legal deliberation, the Department unanimously decided as follows:

Decision

First: Accept ZATCA appeal in form for being filed within the statutory period.

Second: Acceptance of the appeal submitted by Zakat, Tax, and Customs Authority, annulment of the First Department to adjudicate Value Added Tax violations and disputes in Dammam, Decision No. (VD-2020-702), and remanding the case for reconsideration on its merits.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.



Appeal Committee for Tax Violations and Disputes
First Appeal Department for Value Added Tax Violations and
Disputes
In Riyadh

Decision No.: VA-2022-336
Case No.: V-55144-2021

Key words:

Value-Added Tax Local Sales – Local Purchases – Filing Error fine – Late Payment fine – Appeal Rejection

Abstract

The Appellant (Taxpayer) seeks the annulment of Primary Department Decision No. (VJ-2021-797) regarding their objection to the tax period for the first quarter of 2018 and the fines imposed. The Department found that the contested decision regarding the dispute under review was in accordance with the law and based on valid reasoning sufficient to uphold its ruling. The issuing Department thoroughly examined the core of the dispute and reached the conclusion stated in its verdict. Therefore, the Department dismisses the appeal and upholds the primary decision.

Documents:

- Paragraph (2) of Article (20) of [Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. \(26040\) dated 21/04/1441 AH](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)

Facts

Since facts of this case have been stated in the decision subject matter of appeal, Appellate Department refers to this decision for avoidance of repetition. Whereas the primary decision ruled to:

First: In form: Accept Plaintiff's case in form.

Second: On merits:

- Rejection of Plaintiff's Claim regarding local sales subject to the standard tax rate for the first quarter of 2018, as Defendant's decision was found to be valid.
- Rejection of Plaintiff's Claim regarding local purchases subject to the standard tax rate for the first quarter of 2018, as Defendant's decision was found to be valid.
- Rejection of Plaintiff's Claim regarding the fine for filing errors resulting from the final assessment of the tax period for the first quarter of 2018, as Defendant's decision was found to be valid.
- Rejection of Plaintiff's Claim regarding the late payment fine resulting from the final assessment of the tax period for the first quarter of 2018, as Defendant's decision was found to be valid.

Since this decision was not accepted by the Appellant, they submitted an appeal memorandum to the Appellate Department, objecting to the Primary Department's decision to reject their claim. The Appellant argues that their transactions involve the transfer of goods between branches, which should not fall within the scope of taxation.



The appeal concluded with a request for the acceptance of the appeal and the annulment of the Primary Department's decision.

Having presented the same to Appellee, Appellee submitted an answer summarized as follows: "1. ZATCA reaffirms its previous defenses and reply memorandum, which provided a detailed explanation of the reasons for the reassessment of the tax return submitted for the first quarter of 2018. 2. ZATCA's decision to reassess the local sales subject to the standard tax rate and the local purchases subject to the standard tax rate was made after notifying the Appellant of the need to submit all supporting documents related to the declared figures to enable a thorough review and audit of the tax return. 3. Regarding the sales item: It was discovered that the Appellant failed to disclose certain supplies, which were later identified in the sales statement of the Jeddah branch. The Appellant only reported the sales statement for the Abha branch, omitting the Jeddah branch. Additionally, the Appellant does not maintain a trial balance, further impacting the accuracy of the tax declaration. Based on Article (14) of the Implementing Regulations of the VAT Law, which states: "Without prejudice to Article (2) of the Law, and for the purposes of applying the Agreement and the Law in the Kingdom, VAT shall be imposed on all supplies of goods and services made by a taxable person within the Kingdom...", ZATCA adjusted the standard-rated sales item accordingly. Regarding the purchases item: Certain purchase invoices were excluded because they did not contain VAT or a supplier's tax registration number. The Appellant wrongfully claimed deductions for transactions between branches, which are not deductible as per Article (18) of the Implementing Regulations of the VAT Law. Consequently, the Appellant cannot deduct the VAT on these transactions, as it failed to meet the invoicing requirements outlined in Article (53) of the Implementing Regulations of VAT Law. Furthermore, Paragraph (7) of Article (49) of the Implementing Regulations states: "Input VAT may only be deducted if the taxable person has evidence that the amount of input VAT paid or payable is in accordance with Article 48 of the Agreement..." ZATCA affirms that, as a result of the aforementioned findings, two fines were imposed: Filing Error fine and Late Payment fine. After reviewing the Appellant's tax return, ZATCA determined that it was inaccurate, leading to discrepancies in the amount of VAT due, which was not paid within the statutory deadline. Accordingly, a late payment fine was imposed for the months following the disputed tax period as explained previously, in accordance with Article (43) of the VAT Law, which states, "Any Person who fails to pay the Tax due during the period specified by the Regulations shall be liable to a fine equal to 5% of the value of the unpaid Tax for each month or part thereof for which the Tax has not been paid". The fine for submitting an incorrect return was imposed based on paragraph (1) of Article (42), which states, "Any Person who files an incorrect Tax Return to ZATCA, amends a Tax Return after filing or files any document with ZATCA in relation to the Tax due by him which results in an error in the calculation of the Tax amount resulting in an amount that is less than the Tax due shall be liable to a fine equal to (50%) of the value of the difference between the calculated Tax and the Tax due".

On Tuesday, 16/10/1443 AH corresponding to 17/05/2022 AD, First Appellate Department for Value Added Tax and Excise Goods Violations and Disputes held a session to consider the appeal submitted via video conference in accordance with Paragraph (2) of Article (15) of Tax Dispute and Violation Committee Procedures that stipulates: Sessions of the Department may be held via modern technological means provided by the General Secretariat". Case file, along with all memoranda and documents, was reviewed, as well as decision of the Adjudication Department under appeal. After discussion and deliberation, the Department decided to adjourn the session and issue a decision.



Grounds

Based on Income Tax Law, issued under Royal Decree No. (M/1) dated 15/01/1425 AH, as amended by Royal Decree No. (M/113) dated 02/11/1438 AH, and after reviewing Tax Dispute and Violation Committee Procedures, issued under Royal Order No. (26040) dated 21/04/1441 AH.

Where the appeal was submitted by a person of capacity during the specified regulatory period and fulfilled its regulatory requirements in accordance with the provisions of Article 40.2 of Tax Dispute and Violation Committee Procedures, it should be accepted in form. On merits, upon reviewing case file, examining the documents and evidence, and considering the memoranda and responses submitted by both parties, the Appellate Department found that the decision issued by the Primary Department ruled to reject Plaintiff's claim regarding their objection to the tax period for the first quarter of 2018 and the fines imposed. It is established that the contested decision regarding the dispute under review is consistent with the provisions of the law and is based on valid reasoning sufficient to uphold its ruling. The issuing Department thoroughly examined the core of the dispute and reached the conclusion stated in its verdict. Since the Appellate Department has found no grounds for reconsideration or amendment in light of the arguments presented, it concludes that these arguments do not affect the outcome of the decision. Therefore, this Department concludes to dismiss this appeal and uphold the primary decision for the grounds stated therein.

For the aforementioned grounds, and after legal deliberation, the Department unanimously decided as follows:

Decision

First: Accept the appeal filed by (...), holder of National ID No., In their capacity as owner of ... C. R. No. (...) in form for submission during the period prescribed by law.

Second: Dismiss the appeal filed by (...), holder of National ID No., and upholding the decision of the First Department to adjudicate Value Added Tax violations and disputes in Riyadh, Decision No. (...).

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.



Appeal Committee for Tax Violations and Disputes
First Appeal Department for Value Added Tax Violations and
Disputes
In Riyadh

Decision No.: VA-2022-337
Case No.: V-62267-2021

Key words:

Value-Added Tax Filing Error fine – Late Payment fine – Appeal Acceptance

Abstract

The Appellant (Taxpayer) seeks the annulment of Committee Decision No. (VR-2021-227) regarding the final assessment result for June 2018, the imposition of a filing error fine, and late payment fines. The appeal also challenges the classification of local sales under the standard VAT rate. The Appellant argues that VAT at the standard rate should not be imposed on contracts signed with (... Company) as they should be subject to the zero rate. The Department found that the term “taxes” was used generally without specification, supporting the Appellant’s argument. Regarding the Appellant’s objection to the filing error fine for the disputed tax period, the Department ruled to accept the appeal and annul the committee’s decision, and since related matters follow the same ruling, the same applies here. Regarding the Appellant’s objection to the late payment fines for the disputed tax period, the Department similarly ruled to accept the appeal and annul the committee’s decision, with the same reasoning applied. Therefore, The Department hereby ruled to accept the appeal and dismiss the primary decision.

Documents:

- Paragraph (2) of Article (20) of [Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. \(26040\) dated 21/04/1441 AH](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)

Facts

Since facts of this case have been stated in the decision subject matter of appeal, Appellate Department refers to this decision for avoidance of repetition. Whereas the primary decision ruled to:

First: In form:

- Accept Plaintiff’s case in form.

Second: On merits:

- Rejection of the claim filed by (... Company), Commercial Registration No. (...), seeking the annulment of Defendant's decision regarding the reassessment of the tax period for June 2018 and the imposition of: VAT amounting to 78,302.91 SAR, a filing error fine of 39,151 SAR, and Late payment fines totaling 54,812.04 SAR.

Since this decision was not accepted by the Appellant, they submitted an appeal memorandum to the Appellate Department, objecting to the Primary Committee’s decision rejecting their claim. The Appellant requests the annulment of the decision issued by the Defendant (Zakat, Tax, and Customs Authority) regarding the reassessment of June 2018, the imposition of VAT, and the related fines. The Appellant argues that the zero rate should apply to contracts signed with (... Company) and (... Company) since these contracts



were executed before 30/05/2017, at a time when VAT was not foreseeable. The taxes and expenses mentioned in these contracts were general references included in all contracts and should not be interpreted as an expectation of VAT application. Additionally, the Appellant asserts that the contracts meet the conditions outlined in Paragraph (3) of Article (79) of the Implementing Regulations of the VAT Law. The appeal concluded with a request for the acceptance of the appeal and annulment of the committee's decision.

On Monday 15/10/1443 AH, corresponding to 16/05/2022 AD, the First Appeal Committee for Value Added and Excise Tax Violations and Disputes held a session to consider the appeal submitted via video conference, based on Article 15.2 of Tax Dispute and Violation Committee Procedures, which stipulates that: Sessions of the Department may be held via modern technological means provided by the General Secretariat". Case file, along with all memoranda and documents, was reviewed, as well as decision of the Adjudication Department under appeal. After discussion and deliberation, the Department decided to adjourn the session and issue a decision.

Grounds

Based on Income Tax Law, issued under Royal Decree No. (M/1) dated 15/01/1425 AH, as amended by Royal Decree No. (M/113) dated 02/11/1438 AH, and after reviewing Tax Dispute and Violation Committee Procedures, issued under Royal Order No. (26040) dated 21/04/1441 AH.

Where the appeal was submitted by a person of capacity during the specified regulatory period and fulfilled its regulatory requirements in accordance with the provisions of Article 40.2 of Tax Dispute and Violation Committee Procedures, it should be accepted in form.

On merits, upon reviewing case file, examining the documents and evidence, and considering the memoranda and responses submitted by both parties, the Appellate Department found that the Primary Committee's decision ruled to reject the claim filed by the Plaintiff (... Company) against Zakat, Tax, and Customs Authority. The Appellant objects to the rejection of their appeal regarding the final assessment result for June 2018, the imposition of the filing error fine, the late payment fines, and the classification of local sales under the standard VAT rate. The Appellant argues that VAT at the standard rate should not be imposed on contracts signed with (... Company) since they should be subject to the zero rate. The core argument of the appeal is based on the inclusion of the phrase "all types of taxes" in the disputed contracts. Since the term "taxes" was used generally without specification, and considering that the contracts were signed before 30/05/2017, prior to the approval and publication of the Unified VAT Agreement for the Gulf Cooperation Council (GCC) States on 21/04/2017, which mandated the uniform implementation of VAT across GCC countries, it would not have been reasonably foreseeable at that time that VAT would be applied. Given that the plain meaning of the contractual text refers to all taxes imposed at that time, the Department finds merit in the appeal on this point and rules to annul Primary Committee's decision.

Regarding Appellant's objection to committee's decision rejecting the request of (... Contracting Company to annul the filing error fine related to the disputed tax period. Since the above ruling accepted the appeal and annulled committee's decision, and related matters follow the same ruling, the Department accepts the appeal on this matter as well.

Regarding Appellant's objection to the decision rendered by the Primary Committee that dismissed the request of Appellant (...) Company request to annul the late payment fines related to the disputed tax period, and since the above ruling accepted the appeal and annulled the committee's decision, and related matters follow the same ruling, the Department finds merit in the appeal and rules to accept it.

For the aforementioned grounds, and after legal deliberation, the Department unanimously decided as follows:



Decision

First: Accept the appeal filed by (...), C.R. No. (...), in form for submission during the period prescribed by law.

Second: Accept the appeal filed by (...), C.R. No. (...), regarding local sales subject to the standard VAT rate, the annulment of the First Department to adjudicate Value Added Tax violations and disputes in Riyadh, Decision No. (VR-2021-227), and the classification of contracts signed with (... Company) and (...Company) as subject to the zero VAT rate.

Third: Accept the appeal filed by (...), C.R. No. (...), Regarding the filing error fine and late payment fines, the annulment of the First Department to adjudicate Value Added Tax violations and disputes in Riyadh, Decision No. (VR-2021-227), and the annulment of Defendant's decision (Zakat, Tax, and Customs Authority) in accordance with the outcome of Item (Second).

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family



Appeal Committee for Tax Violations and Disputes
First Appeal Department for Value Added Tax Violations and
Disputes
In Riyadh

Decision No.: VA-2022-338
Case No.: V-67209-2021

and companions.

Key words:

Value-Added Tax - Tax Period – fines – Appeal Rejection

Abstract

The Appellant (Taxpayer) seeks the annulment of Committee Decision No. (VJ-2021-1182) regarding their objection to the tax period for the third quarter of 2018 and the associated fines. The Department found that the contested decision regarding the dispute under review was in accordance with the law and based on valid reasoning sufficient to uphold its ruling. The issuing Department thoroughly examined the core of the dispute and reached the conclusion stated in its verdict. Therefore, the Department dismisses the appeal and upholds the primary decision.

Documents:

- Paragraph (2) of Article (20) of [Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. \(26040\) dated 21/04/1441 AH](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)

Facts

Since facts of this case have been stated in the decision subject matter of appeal, Appellate Department refers to this decision for avoidance of repetition. Whereas the primary decision ruled to:

First: In form: Accept Plaintiff's case in form.

Second: On merits:

- Rejection of Plaintiff's claim regarding local sales subject to the standard VAT rate for the tax period under dispute, as Defendant's decision was found to be valid.
- Rejection of Plaintiff's claim regarding the filing error fine for the tax period under dispute, as Defendant's decision was found to be valid.
- Rejection of Plaintiff's claim regarding the late payment fine for the tax period under dispute, as Defendant's decision was found to be valid.

Since this decision was not accepted by the Appellant, they submitted an appeal memorandum to the Appellate Department, objecting to the Primary Committee's decision rejecting their appeal to annul Defendant's decision regarding the final assessment notice for the tax period related to the third quarter of 2018. The Appellant argues that the local sales item should not have been adjusted under the standard VAT rate, as the supplies in question are exempt from VAT under Royal Decree No. (A/86) dated 18/04/1439 AH. The appeal concluded with a request for the acceptance of the appeal and annulment of the committee's decision.



Having presented the same to Appellee, Appellee submitted an answer summarized as follows: “1. Regarding Plaintiff's appeal on local sales subject to the standard VAT rate for the third quarter of 2018: ZATCA affirms to the Honorable Department that it upholds the Primary Committee's decision, as it is in accordance with Article (14) of the Implementing Regulations of the VAT Law, which states: “Without prejudice to Article (2) of the Law, and for the purposes of applying the Agreement and the Law in the Kingdom, VAT shall be imposed on all supplies of goods and services made by any taxable person within the Kingdom.” Upon reviewing Plaintiff's point-of-sale (POS) data from the Saudi Central Bank, which was referenced in the initial decision, it was found that the Plaintiff had undeclared revenues in their tax return. Accordingly, these undeclared amounts were subjected to VAT under the standard-rated sales category, and the adjustment was made accordingly. The Plaintiff failed to provide any justification or supporting documents before ZATCA, the Primary Committee, or the Appellate Department to substantiate their claim that these sales were made to citizens and therefore exempt. Therefore, ZATCA requests the rejection of Plaintiff's appeal, as its procedures were correct and validated by the decision of the First Department to adjudicate Value Added Tax violations and disputes in Jeddah. 2. Regarding Plaintiff's appeal on the late payment fine and the fine for filing an incorrect tax return for the disputed periods: ZATCA affirms to the Honorable Department that it upholds the Primary Committee's decision, as it is in accordance with Article (42), Paragraph (1) of the VAT Law, which states: "Any Person who files an incorrect Tax Return to the Authority, amends a Tax Return after filing or files any document with the Authority in relation to the Tax due by him which results in an error in the calculation of the Tax amount resulting in an amount that is less than the Tax due shall be liable to a fine equal to 50% of the value of the difference between the calculated Tax and the Tax due.” On Tuesday, 16/10/1443 AH corresponding to 17/05/2022 AD, First Appellate Department for Value Added Tax and Excise Goods Violations and Disputes held a session to consider the appeal submitted via video conference in accordance with Paragraph (2) of Article (15) of Tax Dispute and Violation Committee Procedures that stipulates: Sessions of the Department may be held via modern technological means provided by the General Secretariat”. Case file, along with all memoranda and documents, was reviewed, as well as decision of the Adjudication Department under appeal. After discussion and deliberation, the Department decided to adjourn the session and issue a decision.

Grounds

In accordance with Income Tax Law promulgated by Royal Decree No. (M/1) dated 15/01/1425 AH as amended by Royal Decree No. (M/113) dated 02/11/1438 AH, and having perused Tax Dispute and Violation Committee Procedures issued by Royal Order No. (26040) dated 21/04/1441 AH.

Where the appeal was submitted by a person of capacity during the specified regulatory period and fulfilled its regulatory requirements in accordance with the provisions of Article 40.2 of Tax Dispute and Violation Committee Procedures, it should be accepted in form. On Merits: The Appellate Department, having taken cognizance of Case documents, and examined the memorandums and answers provided by both parties, found that the primary decision dismissed Plaintiff's claim regarding objection to tax period related to Q4_2018 and the arising fines. Since the contested decision was based on well-founded reasoning and sufficient justification, as the Primary Department thoroughly examined the dispute and reached the conclusion included in its wording. Since the Appellate Department did not find any grounds for reconsideration or objection based on the arguments raised



before it. Therefore, this Department determines that these arguments did not affect the outcome of decision. Therefore, this Department concludes to dismiss this appeal and uphold the primary decision for the grounds stated therein.

For the aforementioned grounds, and after legal deliberation, the Department unanimously decided as follows:

Decision

First: Accept the appeal filed by (...), holder of National ID No., In form be submitted during regulatory period.

Second: Dismiss the appeal filed by (...), holder of National ID No., and uphold First Department to Adjudicate Value Added Tax Violations and Disputes in Jeddah Decision No. (VJ-2021-1182).

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

Appeal Committee for Tax Violations and Disputes
First Appeal Department for Value Added Tax Violations and
Disputes
In Riyadh

Decision No.: VA-2022-339
Case No.: V-67682-2021

Key words:

Value-Added Tax - Sales – Filing Error fine – Late Payment fine – Appeal Acceptance

Abstract

The Appellant (Taxpayer) seeks the annulment of Committee Decision No. (VJ-2021-1045) regarding the final assessment result for the tax period related to the first quarter of 2019 and the associated fines. The Appellant objects to the adjustment of their tax return by the Defendant, which added 588,994.18 SAR to their taxable local sales under the standard VAT rate due to the Appellant's failure to disclose the amount and provide supporting documents. Upon review, the Appellate Department found that the Appellant provided samples of sales invoices issued under (... Company), Tax ID No. (...). The Department also confirmed the Appellant's claim that the account associated with (... Establishment) was used for deposits related to invoices issued by (... Company). Since recalculating these transactions would lead to double taxation on the same funds, the Department accepted the appeal regarding this issue. Regarding the Appellant's objection to the filing error fine and the late payment fine, the imposition of these fines was based on the final reassessment of the disputed tax period. Since the above ruling resulted in the acceptance of the appeal and the annulment of Defendant's actions (ZATCA), and related matters follow the same ruling, the Department rules in favor of the appeal. Therefore, The Department hereby ruled to accept the appeal and dismiss the primary decision.

Documents:

- Paragraph (2) of Article (20) of [Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. \(26040\) dated 21/04/1441 AH](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)

Facts

Since facts of this case have been stated in the decision subject matter of appeal, Appellate Department refers to this decision for avoidance of repetition. Whereas the primary decision ruled to:

First: In form: Accept the Case in form.

Second: On merits:

- Rejection of Plaintiff's claim regarding local sales subject to the standard VAT rate for the tax period related to the first quarter of 2019, as Defendant's decision was found to be valid.
- Rejection of Plaintiff's claim regarding the filing error fine for the tax period related to the first quarter of 2019, as Defendant's decision was found to be valid.
- Rejection of Plaintiff's claim regarding the late payment fine for the tax period related to the first quarter of 2019, as Defendant's decision was found to be valid.



Since this decision was not accepted by the Appellant, they submitted an appeal memorandum to the Appellate Department, objecting to the Primary Committee's decision rejecting their appeal against Defendant's final assessment notice for the tax period related to the first quarter of 2019, as well as the imposition of the filing error fine and the late payment fine. The Appellant objects to Defendant's adjustment of their tax returns and requests that their disclosed sales be accepted in accordance with their submitted tax returns. The appeal concluded with a request for the acceptance of the appeal and annulment of the committee's decision.

On Tuesday 16/10/1443 AH, corresponding to 17/05/2022 AD, the First Appeal Department for Value Added and Excise Tax Violations and Disputes held a session via video conference to hear the appeal based on Article 15.2 of Tax Dispute and Violation Committee Procedures, which stipulates that: "Circuit sessions may be held using modern technological means provided by the General Secretariat". Case file, including all memorandums and documents, and Primary Department's decision, subject matter of appeal, were reviewed. After discussion and deliberation, the Department decided to adjourn the session and issue decision.

Grounds

Based on Income Tax Law, issued under Royal Decree No. (M/1) dated 15/01/1425 AH, as amended by Royal Decree No. (M/113) dated 02/11/1438 AH, and after reviewing Tax Dispute and Violation Committee Procedures, issued under Royal Order No. (26040) dated 21/04/1441 AH.

Where the appeal was submitted by a person of capacity during the specified regulatory period and fulfilled its regulatory requirements in accordance with the provisions of Article 40.2 of Tax Dispute and Violation Committee Procedures, it should be accepted in form. On merits, upon reviewing case file, examining the documents and evidence, and considering the memoranda and responses submitted by both parties, the Appellate Department found that the Primary Committee's decision ruled to reject the claim filed by (... Company) against Zakat, Tax, and Customs Authority. The Appellant objects to the rejection of their appeal regarding the final assessment result for the tax period related to the first quarter of 2019 and the associated fines. The dispute centers on Defendant's adjustment of the Appellant's tax return, which added 588,994.18 SAR due to the Appellant's failure to disclose the tax amount and failure to provide supporting documents for their claim. The Appellant further objects to the Primary Committee's decision, which upheld Defendant's adjustment on the grounds that the Appellant did not provide sufficient evidence to prove that these transactions were unrelated to their business. The Appellant argues that the bank transactions in question involved related parties (... Company) and that the deposits and transfers reflected in the bank statements were related to sales from (... Company) tailoring branches, which were previously owned by (... Establishment). Ownership of these branches was transferred, and their VAT was declared under Tax Return No. (...) as part of (... Company), Tax ID No. (...). Upon reviewing the decision under appeal, the Appellate Department found that the Primary Committee upheld Defendant's decision because the Appellant did not provide sufficient supporting documents to prove that the transactions were unrelated to their taxable entity. However, the Appellant later submitted supporting documents showing bank deposits recorded under the Appellant's credit accounts, including cash register deposits for Branch (...) and cash register deposits for (...), with Bank Account Numbers (...) and (...) at (... Bank), belonging to (... Establishment) for Trading during the disputed period. Additionally, the Appellant provided sales invoices issued under (... Company), Tax ID No. (...), which confirmed their claim that the bank account related to (... Establishment) was used for deposits linked to invoices issued by (... Company ...). Since recalculating these transactions



would lead to double taxation on the same funds, the Appellate Department ruled to accept the appeal and annul the Primary Committee's decision.

Regarding Appellant's objection to the filing error fine and the late payment fine, since these fines were imposed as a result of the final reassessment of the disputed tax period, and given that the above ruling led to the acceptance of the appeal and annulment of Defendant's actions (ZATCA), and related matters follow the same ruling, the Department finds merit in the appeal and rules to accept it on these two points.

For the aforementioned grounds, and after legal deliberation, the Department unanimously decided as follows:

Decision

First: Accept Appeal filed by..... holder of National ID No., in form for submission during the period prescribed by law.

Second: Accept the appeal filed by (...), holder of National ID No., regarding the local sales subject to the standard VAT rate, the annulment of the First Department to Adjudicate Value Added Tax Violations and Disputes in Jeddah, Decision No. (VJ-2021-1045), and the annulment of Defendant's actions.

Third: Accept the appeal filed by (...), holder of National ID No., regarding the filing error fine, the annulment of the First Department to Adjudicate Value Added Tax Violations and Disputes in Jeddah, Decision No. (VJ-2021-1045), and the annulment of Defendant's actions in accordance with the outcome of Item Second.

Fourth: Accept the appeal filed by (...), holder of National ID No., regarding the late payment fine, the annulment of the First Department to Adjudicate Value Added Tax Violations and Disputes in Jeddah, Decision No. (VJ-2021-1045), and the annulment of Defendant's actions in accordance with the outcome of Item Second.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.



Appeal Committee for Tax Violations and Disputes
First Appeal Department for Value Added Tax Violations and
Disputes
In Riyadh

Decision No.: VA-2022-340
Case No.: V-70445-2021

Key words:

Value-Added Tax - Real Estate Sale – Appeal Rejection

Abstract

The Appellant (Taxpayer) seeks the annulment of Committee Decision No. (VSR-2021-509), which rejected their claim against the Defendant (...). The Appellant argues that they are entitled to claim the VAT amount resulting from the sale of real estate to the buyer. The Department found that the contested decision regarding the dispute under review was in accordance with the law and based on valid reasoning sufficient to uphold its ruling. The issuing Department thoroughly examined the core of the dispute and reached the conclusion stated in its verdict. Therefore, the Department dismisses the appeal and upholds the primary decision.

Documents:

- Paragraph (2) of Article (20) of [Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. \(26040\) dated 21/04/1441 AH](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)

Facts

Since facts of this case have been stated in the decision subject matter of appeal, Appellate Department refers to this decision for avoidance of repetition. Whereas the primary decision ruled to:

First: In form:

- Accept the case in form.

Second: On merits:

- Rejection of the claim filed by the Plaintiff (...), National ID No. (...), against the Defendant (...), National ID No. (...).

Since this decision was not accepted by the Appellant, they submitted an appeal memorandum to the Appellate Department, objecting to the Primary Committee's decision rejecting their claim against the Defendant (...). The Appellant argues that they are entitled to claim the VAT amount resulting from the sale of real estate to the buyer. The appeal concluded with a request for the acceptance of the appeal and the annulment of the Primary Committee's decision.

On Tuesday, 29/06/1443 AH corresponding to 02/01/2022 AD, the First Appellate Department for Value Added and Excise Tax Violations and Disputes held a session to consider the appeal via video conference in accordance with Paragraph (2) of Article (15) of Tax Dispute and Violation Committee Procedures that stipulates: "Circuit sessions may be held using modern technological means provided by the General Secretariat". Case file, along all memorandums and documents, were reviewed, as well as decision of the Primary Department, subject matter of appeal. and after discussion and deliberation, decided to



adjourn the case to the hearing of Tuesday 29/06/1443 AH, corresponding to 01/02/2022 AD, at 01:00 pm, and to notify the parties to attend at that hearing.

On Monday, 29/06/1443 AH (corresponding to 01/02/2022 AD), the First Appellate Department for Value Added and Excise Tax Violations and Disputes convened its session to review the appeal, conducted via remote video conferencing, in accordance with Paragraph (2) of Article (15) of the Tax Violations and Disputes Committee Procedures, which states: "Department sessions may be held using modern technological means provided by the General Secretariat." Both parties were called, and the following attendees were present: Appellant: (...), National ID No. (...) and Defendant: (...), National ID No. (...). Accordingly, the Department opened the proceedings by questioning the Appellant about the case, to which he responded: He stated that he acted as a mediator between the seller and the buyer since the property was registered in his name, but the actual owner of the property was (...). As a result, the tax amount was transferred for payment, but it was never paid. He further stated that he relies on the appeal memorandum and supporting submissions filed via the General Secretariat's portal, and adheres to the arguments and defenses presented therein. When presented with this by Appellee's, it replied: He stated that he relies on the memoranda submitted via the General Secretariat's portal and adheres to the arguments and defenses presented therein. When asked if either party had any additional statements, both responded that they had nothing further to add. After discussion and deliberation, the Department decided to postpone the hearing to a later session and instructed the Appellant to submit the title deed of the sold property via the General Secretariat's electronic portal, to proceed with the case in light of the received documents.

On Monday 15/10/1443 AH corresponding to 16/05/2022 AD, First Appellate Department for Value Added and Excise Tax Violations and Disputes held a session to consider the appeal filed via video conference in accordance with Paragraph (2) of Article (15) of Tax Dispute and Violation Committee Procedures that stipulates: "Sessions of Appellate Department may be held via modern technological means provided by General Secretariat." Case file, including memoranda and documents, and Appellate Department decision subject of appeal have been reviewed. After discussion and deliberation, the Department decided to adjourn the session and issue decision.

Grounds

Based on Income Tax Law, issued under Royal Decree No. (M/1) dated 15/01/1425 AH, as amended by Royal Decree No. (M/113) dated 02/11/1438 AH, and after reviewing Tax Dispute and Violation Committee Procedures, issued under Royal Order No. (26040) dated 21/04/1441 AH.

Where the appeal was submitted by a person of capacity during the specified regulatory period and fulfilled its regulatory requirements in accordance with the provisions of Article 40.2 of Tax Dispute and Violation Committee Procedures, it should be accepted in form.

On Merits: The Appellate Department, having taken cognizance of Case documents and examined the documents included therein, and after reviewing memorandums and answers provided by both parties, found that the decision delivered by the Primary Department ruled to accept the Case filed by Appellant (...) against Appellee (...). Since it is established that the contested decision regarding the dispute, subject matter of consideration, is consistent with provisions of the Law and is based on sound reasoning sufficient to support its ruling, since the Primary Department thoroughly examined the dispute and reached the conclusion stated in its wording. Since the Appellate Department did not find any grounds for reconsideration or objection in light of the arguments raised before it. Therefore, this Department concludes that such arguments have no effect on the outcome



of decision. Therefore, this Department concludes to dismiss this appeal and uphold the primary decision for the grounds stated therein.
For the aforementioned grounds, and after legal deliberation, the Department unanimously decided as follows:

Decision

First: Accept the appeal filed by (...), holder of National ID No., In their capacity as owner of ... C. R. No. (...) in form for submission during the period prescribed by law.

Second: Dismiss the appeal filed by (...), holder of National ID No., and upholding the decision of the Second Department for the Adjudication of VAT Violations and Disputes in Riyadh.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.



**Appeal Committee for Tax Violations and Disputes
First Appeal Department for Value Added Tax Violations and
Disputes
In Riyadh**

**Decision No.: VA-2022-341
Case No.: V-72184-2021**

Key words:

Value-Added Tax - Final Assessment – fines – Appeal Rejection

Abstract

The Appellant (ZATCA) seeks the annulment of Committee Decision No. (VJ-2021-1152) regarding the sales item and the final reassessment for the third quarter of 2019, as well as the cancellation of the associated fines. The Department found that the contested decision regarding the dispute under review was based on valid reasoning sufficient to uphold its ruling. The issuing Department thoroughly examined the core of the dispute and reached the conclusion stated in its verdict. Therefore, the Department dismisses the appeal and upholds the primary decision.

Documents:

- Paragraph (2) of Article (20) of [Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. \(26040\) dated 21/04/1441 AH](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)

Facts

Since facts of this case have been stated in the decision subject matter of appeal, Appellate Department refers to this decision for avoidance of repetition. Whereas the primary decision ruled to:

First: In form: Accept the Case in form.

Second: On merits:

- Acceptance of Plaintiff's claim regarding the local sales subject to the standard VAT rate for the tax period under dispute, and the annulment of Defendant's decision, along with the cancellation of the fines imposed on the Plaintiff for filing errors and late payment.

Since this decision was not accepted by the Appellant, they submitted an appeal memorandum to the Appellate Department, objecting to the Primary Committee's decision to accept Defendant's claim regarding the local sales subject to the standard VAT rate for the third quarter of 2019 and to cancel the associated fines. The Appellant requests the annulment of the committee's decision and the addition of the standard-rated sales amounts based on data issued by the Central Bank. The appeal concluded with a request for acceptance of the appeal and annulment of the committee's decision.

Upon presenting the appeal memorandum to the Defendant, they submitted a response memorandum, stating that the amounts in question are not related to their tax account.

On Monday 15/10/1443 AH, corresponding to 16/05/2022 AD, the First Appeal Committee for Value Added and Excise Tax Violations and Disputes held a session to consider the appeal submitted via video conference, based on Article 15.2 of Tax Dispute and Violation Committee Procedures, which stipulates that: Circuit sessions may be held



using modern technological means provided by the General Secretariat”. Case file, along with all memorandums and documents, were reviewed, as well as decision of the Primary Department, subject matter of appeal. After discussion and deliberation, the Department decided to adjourn the session and deliver a decision.

Grounds

Based on Income Tax Law, issued under Royal Decree No. (M/1) dated 15/01/1425 AH, as amended by Royal Decree No. (M/113) dated 02/11/1438 AH, and after reviewing Tax Dispute and Violation Committee Procedures, issued under Royal Order No. (26040) dated 21/04/1441 AH.

Where the appeal was submitted by a person of capacity during the specified regulatory period and fulfilled its regulatory requirements in accordance with the provisions of Article 40.2 of Tax Dispute and Violation Committee Procedures, it should be accepted in form. On merits, upon reviewing the case documents and examining the submitted records and evidence, as well as considering the memoranda and responses provided by both parties, the Appellate Department has determined that the decision issued by the adjudicating Department ruled to annul the Appellant's decision regarding the sales item, specifically related to the final reassessment for the third quarter of 2019, and to cancel the fines associated with it. Given that the contested decision aligns with the sound reasons on which it was based and sufficiently supports its ruling, and since the issuing Department thoroughly examined the core of the dispute and reached the conclusion stated in its ruling, the Appellate Department finds no grounds for revision or objection in light of the arguments presented before it. Therefore, the Department concludes that these arguments do not impact the outcome of the decision. Therefore, this Department concludes to dismiss this appeal and uphold the primary decision for the grounds stated therein.

For the aforementioned grounds, and after legal deliberation, the Department unanimously decided as follows:

Decision

First: Accept Appeal From/... in form for submission during the period prescribed by law.
Second: Dismiss the Appeal filed by And the affirmation of the decision of the First Department to adjudicate Value Added Tax violations and disputes in Jeddah Province.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.



Committee for Determination of Tax Violations and Disputes
First Department to Adjudicate of Value Added Tax Violations
and Disputes
In Riyadh

Decision No.: 2022-03-VR
Case No.: V-46891-2021

Key words:

Value Added Tax – Cancellation of Error fine – Reassessment – Dispute Resolution

Abstract

The Taxpayer requested the annulment of ZATCA's decision regarding the reassessment of the third quarter of 2020, specifically concerning the error fine in the declaration amounting to 14,602.75 SAR. Upon review, the Department found that ZATCA had already canceled the error fine and was not claiming this amount from the Taxpayer, thereby resolving the dispute between the parties. Consequently, the case is dismissed.

Documents:

- [Tax Dispute and Violation Committee Procedures promulgated by Royal Decree No. \(26040\) dated 21/04/1441 AH](#)
- [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- Article (70) of the [Law of Civil Procedures promulgated by Royal Decree No. \(M/1\) dated 22/01/1435 AH](#)
- Paragraph (1) of Article (70) of [the Implementing Regulations of the Law of Civil Procedure issued by Minister of Justice Decision No. \(39933\) dated 19/05/1435 AH](#)
- [Implementing Regulations of the Value Added Tax Law, issued by Resolution of the Board of Directors of the General Authority of Zakat and Income -formerly- No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH corresponding to 14 November 2016](#)

Facts

The events of this case are summarized as follows: The Plaintiff (...), holding National ID No. (...), filed a case in his personal capacity, objecting to ZATCA's decision regarding the reassessment of the third quarter of 2020 and the imposition of an error fine in the declaration amounting to 14,602.75 SAR. He requested the cancellation of the imposed fine.

Upon presenting the case to the Defendant, ZATCA responded: "The original presumption is the validity and soundness of the decision, and whoever claims otherwise must provide evidence to support their claim. Regarding Plaintiff's objection to the late payment fine for the third quarter of 2020, the Plaintiff submitted the declaration for the third quarter of 2020 amounting to 58,410 SAR on January 2, 2021, and made the payment on January 3, 2021. The Plaintiff later amended the declaration on January 11, 2021, with the same due tax amount. The fine was imposed at a rate of 5% of the unpaid tax per month of delay, in accordance with Article 43 of the VAT Law, which states: 'Anyone who fails to pay the due tax within the specified period determined by the



regulation shall be subject to a fine equivalent to 50% of the unpaid tax for each month or part thereof in which the tax remains unpaid.' After reviewing Plaintiff's objection before ZATCA and recalculating the fines, they were found to be correct. Accordingly, ZATCA rejected the Taxpayer's objection as the procedure taken was valid. Therefore, ZATCA requests the committee to dismiss the case on procedural grounds."

On Tuesday, January 4, 2022, the Department held its first session to review the case filed by (...), National ID No. (...), against Zakat, Tax, and Customs Authority. When the case parties were called, the Plaintiff (...) appeared, along with (...), National ID No. (...), representing Zakat, Tax, and Customs Authority under authorization No. (...). After verifying the presence of both parties by inspecting their national ID cards through a magnified window and confirming their identities, the Department decided to proceed with the case review. The Plaintiff reiterated his request to annul ZATCA's decision regarding the reassessment of the third quarter of 2020 and the imposition of the 14,602.75 SAR error fine, based on the details provided in his case. When asked to respond, Defendant's representative stated that ZATCA had already canceled the error fine and was not claiming this amount from the Plaintiff. When asked if either party had anything further to add, both parties stated that they had nothing more to present. Whereas the matter was mentioned, and after discussion, the Department decided to close the pleading and adjourn the session for deliberation and issuance of a decision.

Grounds

After reviewing the Income Tax Law, issued by Royal Decree No. (M/1) dated 15/10/1425 AH, along with its amendments, and its Implementing Regulations, issued by Ministerial Decision No. (1535) dated 11/06/1425H, and its amendments, as well as the Rules of Procedure for Tax Committees, issued by Royal Order No. (26040) dated 21/04/1414 AH, and other relevant laws and regulations.

Since a case is established by the presence of a dispute, and if this element ceases to exist for any reason at any stage of the case, it becomes necessary to rule that the dispute has ended. Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH, states: "Litigants may, at any stage of the case, ask the Department to enter agreed-upon acknowledgment, settlement, or the like in the case record, and the Department shall issue a deed to that effect". Furthermore, Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Civil Procedures, issued by Ministerial Decision No. (39933) dated 19/05/1435 AH, states: "If an agreement is reached prior to entering the case, the text of the case and the answer shall be entered prior to entering such agreement, provided that the original case falls within the jurisdiction of the Department, even if the text of the agreement falls within the jurisdiction of another Department or Department and the object of the case or portion thereof is agreed upon". Since the representative of ZATCA has stated that the fine in dispute has been canceled and that ZATCA is not claiming this amount, and as the Department has verified that the dispute between the parties has ended, for these reasons, and after deliberation in accordance with legal procedures, the Department has unanimously decided:

Decision

- 1- Confirmation of the cancellation of the error fine in the declaration amounting to (14,602.75) SAR by ZATCA.
- 2- Confirmation of the dismissal of this case.



This decision was issued in presence of both parties. Department set thirty (30) days from date for receiving copy of decision, and may extend delivery date for another (30) days. Parties hereto may request to appeal decision within thirty (30) days from the day following the date specified for its receipt, whereafter it shall become final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article (40) of Dispute and Violation Committee Procedures)



Committee for Determination of Tax Violations and Disputes
First Department to Adjudicate of Value Added Tax Violations
and Disputes
In Riyadh

Decision No.: 2022-160-VR
Case No.: V-62682-2021

Key words:

Value Added Tax – Field Inspection fine – Tax Invoice – Formal Acceptance of the Case
– Case Dismissal

Abstract

The Taxpayer requested the annulment of ZATCA's decision to impose a field inspection fine amounting to 10,000 SAR. The Taxpayer's objection was based on the claim that the fine was imposed due to the absence of an invoice issuance date. Upon examination, the Department found that the invoice did not meet the tax invoice requirements. As a result, ZATCA requested the dismissal of the case, as the decision to impose the fine was deemed valid. The case is dismissed on substantive grounds.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- Paragraph (3), Article (45) of [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- The Common VAT Agreement of the States of the Gulf Cooperation (GCC), November 2016, ratified by Royal Decree No. (M/51) dated 03/05/1438 AH.
- Paragraph (5 Paragraph(5)/a) of Article (53) of [The Implementing Regulations of the Value Added Tax Law issued by the decision of the Board of Directors of the \(former\) General Authority of Zakat and Income - No. \(3839\) of 14/12/1438 AH corresponding to 14/11/2016 AD](#)

Facts

The facts of this case are summarized as follows: The Plaintiff (...), holding National ID No. (...), in his capacity as the owner of (...) establishment, with Commercial Registration No. (...), filed a case objecting to ZATCA's decision to impose a field inspection fine amounting to 10,000 SAR, requesting the cancellation of the imposed fine.

Upon presenting the case to the Defendant, ZATCA responded: On March 22, 2021, representatives of ZATCA visited the Plaintiff's premises and examined the simplified invoices issued by the Plaintiff during a field campaign to ensure compliance with the Value Added Tax (VAT) Law and its Implementing Regulations. Upon inspection, it was found that the invoices violated the invoice requirements specified in Paragraph 5 of Article 53 of the Implementing Regulations of the VAT Law, which states: "The tax invoice must be in Arabic in addition to any other language in which it may be issued, and it must include the following details: (a) The invoice issuance date." It was determined by ZATCA's representatives that the invoices issued by the Plaintiff did not include the invoice issuance



date, thereby constituting a violation. Based on this, ZATCA requested the committee to dismiss the case.”

On Tuesday, February 15, 2022, the Department held its first session to review the case filed by the Plaintiff (...), National ID No. (...), against Zakat, Tax, and Customs Authority. When the case was called, the Plaintiff or his representative did not appear, despite being duly notified of the session via the registered email in case file. ZATCA was represented by (...), National ID No. (...), who attended the session under authorization No. (...) issued by Zakat, Tax, and Customs Authority. After verifying the presence of ZATCA's representative by inspecting his national ID through a magnified window and confirming his identity, the Department decided to proceed with the case review. The Plaintiff requested in his case the cancellation of ZATCA's decision to impose a field inspection fine of 10,000 SAR, based on the details outlined in the case. When asked to respond to Plaintiff's claims, ZATCA's representative maintained the validity of the decision, citing the justifications outlined in the response memorandum submitted as a reply to Plaintiff's claims. Given the above and since the Plaintiff or his representative did not appear for the session despite being notified, and as the case was ready for adjudication, after deliberation, the Department closed the pleadings, adjourned the session, and proceeded to issue its decision.

Grounds

After reviewing the Case documents, and upon thorough examination, and in light of the Income Tax Law issued by Royal Decree No. (M/1) dated 15/1/1425 AH as amended and its Implementing Regulations issued pursuant to the Minister of Finance's Decision No. (1535) dated 11/6/1425 AH as amended, Value Added Tax Law issued by Royal Decree No. (M/113) dated 2/11/1438 AH as amended and the Implementing Regulations issued by the decision of ZATCA's BOD No. (3839) dated 14/12/1438 AH as amended, Tax Dispute and Violation Committee Procedures issued by Royal Decree No. (26040) dated 11/06/1441 AH, the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In form, Since Plaintiff's claim seeks to annul Defendant's decision to impose a field inspection fine, based on the Value Added Tax (VAT) Law and its Implementing Regulations, and considering that this dispute falls within the scope of tax disputes, it is deemed to be within the jurisdiction of the Committee for the Adjudication of Income Tax Violations and Disputes, in accordance with Royal Order No. (26040) dated 21/04/1441 AH. Furthermore, as the case was filed by a party with legal standing and within the legally prescribed period, the Department accepts the case in form.

On merits, upon examining the case documents and reviewing the responses of both parties, after granting them sufficient time to present their arguments, the Department found that the dispute arose from ZATCA imposing a fine on the Plaintiff for violating the law or regulations, amounting to 10,000 SAR, due to the absence of an invoice issuance date. ZATCA submitted invoice No. (...), while the Plaintiff stated: "Necessary actions have been taken regarding tax invoices, VAT, and Zakat in general. I hope for your understanding and apologize for the violation committed in ignorance." Since the provisions of the Agreement, the Law, and the Regulations clearly outline the requirements for a tax invoice, the Department confirmed Plaintiff's violation of Paragraph (A/8) of Article (53) of the Implementing Regulations of the VAT Law, which states: "A simplified tax invoice must contain the following details: (a) Date of issuance." Accordingly, the Department concludes that Defendant's action was lawful, in accordance with Paragraph (3) of Article (45) of the VAT Law.



Based on the above, the Department unanimously ruled:

Decision

- 1- Accept Plaintiff's case in form.
- 2- The dismissal of the Plaintiff's case, National ID No. (...), requesting the annulment of the field inspection fine amounting to 10,000 SAR.

This decision was issued in presence of both parties. Department set thirty (30) days from date for receiving copy of decision, and may extend delivery date for another (30) days. Parties hereto may request to appeal decision within thirty (30) days from the day following the date specified for its receipt, whereafter it shall become final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article (40) of Dispute and Violation Committee Procedures)



Committee for Determination of Tax Violations and Disputes
First Department to Adjudicate of Value Added Tax Violations
and Disputes
In Riyadh

Decision No.: 2022-177-VR
Case No.: V-67412-2021

Key words:

Value Added Tax – Formal Acceptance of the Case – Field Inspection fine – Registration Certificate – Case Dismissal

Abstract

The Taxpayer requested annulment of ZATCA's decision to impose a field inspection fine amounting to 10,000 SAR for failing to display the VAT registration certificate. Upon examination, the Department found that during the field campaign, the Plaintiff was in violation of the Implementing Regulations of the VAT Law. As a result, ZATCA requested the dismissal of the case, and the committee confirmed the validity of ZATCA's decision to impose the fine. The case is dismissed on substantive grounds.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)
- Paragraph (3), Article (45) of [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- The Common VAT Agreement of the States of the Gulf Cooperation (GCC), November 2016.
- [Implementing Regulations of the Income Tax Law promulgated by Minister of Finance Decision No. \(1535\) of 11/06/1425 AH](#)
- Article (13.6) of [The Implementing Regulations of the Value Added Tax Law issued by the decision of the Board of Directors of the \(former\) General Authority of Zakat and Income - No. \(3839\) of 14/12/1438 AH corresponding to 14/11/2016 AD](#)

Facts

The events of this case are summarized as follows: The Plaintiff (...), holding National ID No. (...), in her capacity as the owner of (...) establishment, with Commercial Registration No. (...), filed a case objecting to ZATCA's decision to impose a field inspection fine amounting to 10,000 SAR, requesting the cancellation of the imposed fine.

Upon presenting the case to the Defendant, ZATCA responded: "On June 10, 2021, ZATCA's representatives visited Plaintiff's premises as part of a field campaign to ensure compliance with the Value Added Tax (VAT) Law and its Implementing Regulations. Upon inspection, it was found that the Plaintiff violated Paragraph (8) of Article 8 of the Implementing Regulations of the VAT Law, which states: 'A taxable resident person



registered with ZATCA is required to display the VAT registration certificate at their main place of business and branches in a manner visible to the public.’ Based on the above, ZATCA requests the committee to dismiss the case.”

On Tuesday, 08/02/ 2022, the Department held its first session to review the case filed by the Plaintiff (...), National ID No. (...), against Zakat, Tax, and Customs Authority. When the case was called, (...), National ID No. (...), appeared as the Plaintiff’s representative under Power of Attorney No. (...), and (...), National ID No. (...), appeared as the representative of Zakat, Tax, and Customs Authority under Authorization No. (...) issued by ZATCA. After verifying the presence of both parties by inspecting their national ID cards through a magnified window and confirming their legal status, the Department proceeded with the case review. Plaintiff’s representative requested the cancellation of ZATCA’s decision to impose a field inspection fine of 10,000 SAR, based on the details outlined in the case. When asked to respond to Plaintiff’s claims, Defendant’s representative was questioned regarding their response to the case. ZATCA’s representative maintained the validity of the decision, citing the justifications outlined in the response memorandum submitted as a reply to Plaintiff’s claims. When asked if either party had anything further to add, Plaintiff’s representative stated that the failure to display the certificate was due to ongoing maintenance at the establishment, and during cleaning, the worker removed it from its place. He also mentioned that they were unaware that its absence constituted a violation. He then confirmed that he had nothing further to add beyond what had already been submitted. ZATCA’s representative also confirmed that he had nothing further to add beyond what had already been presented. Whereas the matter was mentioned, and after discussion, the Department decided to close the pleading and adjourn the session for deliberation and issuance of a decision.

Grounds

After reviewing the Case documents, and upon thorough examination, and in light of the Income Tax Law issued by Royal Decree No. (M/1) dated 15/1/1425 AH as amended and its Implementing Regulations issued pursuant to the Minister of Finance’s Decision No. (1535) dated 11/6/1425 AH as amended, Value Added Tax Law issued by Royal Decree No. (M/113) dated 2/11/1438 AH as amended and the Implementing Regulations issued by the decision of ZATCA’s BOD No. (3839) dated 14/12/1438 AH as amended, Tax Dispute and Violation Committee Procedures issued by Royal Decree No. (26040) dated 11/06/1441 AH, the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In form, Since the Plaintiff’s case seeks to annul Defendant’s decision to impose a field inspection fine, based on the Value Added Tax (VAT) Law and its Implementing Regulations, and considering that this dispute falls within the scope of tax disputes, it is deemed to be within the jurisdiction of the Committee for the Adjudication of Income Tax Violations and Disputes, in accordance with Royal Order No. (26040) dated 21/04/1441 AH. Furthermore, as the case was filed by a party with legal standing and within the legally prescribed period, the Department accepts the case in form.

On merits, upon examining the case documents and reviewing the responses of both parties, after granting them sufficient time to present their arguments, the Department found that the dispute arose from ZATCA imposing a fine on the Plaintiff for violating the law or regulations, amounting to 10,000 SAR, due to the failure to display the VAT registration certificate. The Defendant (Authority) submitted the field inspection report dated June 10, 2021, which classified the violation as "Failure to display the VAT registration certificate.” The Plaintiff argued that the certificate was present and displayed for customers, but at the time of the field inspection, cleaning was in progress, and the



staff member present did not understand Arabic, which led to a misunderstanding of the inspector's request. However, the Department determined that this argument does not constitute a valid legal defense. Consequently, the Plaintiff was found to be in violation of Article (8/8) of the Implementing Regulations of the VAT Law. Accordingly, the Department upholds the validity of the imposed fine, based on Paragraph (3) of Article (45) of the VAT Law, which states: "A fine not exceeding fifty thousand (50,000) SAR shall be imposed on anyone who: 3. violates any other provision of the Law or the Regulations".

Based on the above, the Department unanimously ruled:

Decision

First: Accept Plaintiff's case in form.

Second: Dismissal of Plaintiff's case, National ID No. (...), requesting the annulment of the field inspection fine amounting to 10,000 SAR.

This decision was issued in presence of both parties. Department set thirty (30) days from date for receiving copy of decision, and may extend delivery date for another (30) days. Parties hereto may request to appeal decision within thirty (30) days from the day following the date specified for its receipt, whereafter it shall become final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article (40) of Dispute and Violation Committee Procedures)



Committee for Determination of Tax Violations and Disputes
First Department to Adjudicate of Value Added Tax Violations
and Disputes
In Dammam

Decision No.: VD-2022-5
Case No.: V-61035-2021

Key words:

Value Added Tax – Field Inspection fine – Tax Invoice – Failure to Specify Tax Type – Proportionality of Violation and fine – Reduction of Fine

Abstract

The Taxpayer requested the annulment of ZATCA's decision to impose a field inspection fine amounting to 10,000 SAR due to non-compliance with tax invoice requirements, specifically the failure to specify the tax type. The Taxpayer sought the cancellation of the fine. Upon review, the Department found no evidence of harm resulting from the error, nor any benefit gained by the Taxpayer, such as failure to file tax returns, delays in submission, or errors in the declaration. Given that such mistakes are foreseeable, and based on general legal principles and tax regulations, fines should be proportionate to the violation. Since the relevant article does not specify a minimum fine, consideration was given to cases of this nature. Conclusion: The fine is reduced to 1,000 SAR as the Department deems it more proportionate to the committed violation.

Documents:

- [Tax Dispute and Violation Committee Procedures promulgated by Royal Decree No. \(26040\) dated 21/04/1441 AH](#)
- Article (45), Paragraph (2) of Article (2) of [Income Tax Law issued by Royal Decree No. \(M/113\) dated 2/11/1438 AH](#).
- The Common VAT Agreement of the States of the Gulf Cooperation (GCC), November 2016. ratified by Royal Decree No. (M/51) dated 03/05/1438 AH.
- Paragraph (8) of Article (53) [of the Implementing Regulations of Value Added Tax Law issued by ZATCA Board of Directors Decision No. \(3839\) dated 14 Dhul-Hijjah 1438 AH, corresponding to November 14, 2016.](#)

Facts

The facts of this case are summarized as follows: The Plaintiff (...), holding National ID No. (...), in his capacity as the owner of (...) establishment, with Commercial Registration No. (...), filed a case objecting to Defendant's decision to impose a field inspection fine of 10,000 SAR for non-compliance with tax invoice requirements, specifically for failing to specify the tax type. The Plaintiff requests the cancellation of the imposed fine.

Having presented the statement of claim to Defendant, it responded as follows: "First: On Merits: 1. On April 13, 2018, representatives of ZATCA conducted an on-site inspection of the Plaintiff's premises during a field campaign to ensure compliance with the Value Added Tax (VAT) Law and its Implementing Regulations. Upon inspection, it was found that the invoices issued did not comply with the requirements for simplified invoices as stated in Paragraph 8 of Article 53 of the Implementing Regulations of the VAT Law, which stipulates: "A simplified tax invoice must include the following details.... E) The tax



payable or a statement indicating that the amount includes tax in relation to the supply of goods or services.” The invoices issued did not specify the tax type or indicate that the amount included tax. 2. After confirming that the Plaintiff had violated the provisions of the VAT Law and its Implementing Regulations, as outlined above, ZATCA imposed a fine of 10,000 SAR on the Plaintiff, in accordance with Paragraph 3 of Article 45 of the VAT Law, which states: “A fine not exceeding fifty thousand (50,000) SAR shall be imposed on anyone who:” 3. violates any other provision of the Law or the Regulations.” Defendant representative concluded his Reply requesting that the case be dismissed. End of Reply.

On Sunday, January 9, 2022, the session was held via remote litigation procedures, as both parties expressed their willingness to proceed with the case. The session was attended by the Plaintiff in his personal capacity, holding National ID No. (...), and the representative of the Defendant (...) holder of National ID No., in his capacity as ZATCA's Representative by Authorization Letter No. (...), dated 08/03/1442 AH issued by the Deputy Governor for Legal Affairs. Having asked Plaintiff about his case, he maintained his statements in his statement of claims submitted to General Secretariat of Zakat, Tax and Customs Committees. Having asked Defendant's representative about his reply to Plaintiff claims, he maintained his answers contained in his reply. Having asked the parties to the case if they had any other statements, they decided to suffice with their earlier submissions. Therefore, the Department ordered that the parties be temporarily dismissed from the virtual session for deliberation and delivery of its decision.

Grounds

After due examination and having reviewed the case file, the Value Added Tax Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, the Implementing 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, the Tax Dispute and Violation Committee Procedures issued by Royal Decree No. (26040) dated 11/06/1441 AH, the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since the Plaintiff filed the case to cancel the Defendant's decision regarding the field detection fine and violation of tax invoice requirements and since this dispute is a Zakat dispute, it then falls within the jurisdiction of the Committee for Determination of Income Tax Violations and Disputes as per Royal Decree No. (26040) of 21/04/1441 AH, and since the Case was filed by a person with capacity, and within the period prescribed by Law, it is then accepted in form.

On merits, upon examining the case documents and the responses of both parties, after granting them sufficient time to present their arguments, it is evident that the dispute between the Plaintiff and the Defendant concerns the imposition of a fine amounting to 10,000 SAR for violating the provisions of the VAT Law or its Implementing Regulations due to the failure to specify the tax type. The Plaintiff requests the cancellation of the fine. Paragraph (2) of Article (2) of the VAT Law states: "The tax shall be applied at a standard rate of (5%) of the value of the supply or import, unless an exemption or a zero rate is explicitly stipulated, based on the provisions of the Law and the Regulations, for the same supply." Additionally, Paragraph (8) of Article (53) of the Implementing Regulations of the VAT Law, which pertains to tax invoices, states: "A simplified tax invoice must include the following details.... E) "The tax payable or a statement indicating that the amount includes tax in relation to the supply of goods or services.” Additionally, Article (45) of the VAT Law states: "A fine not exceeding fifty thousand (50,000) SAR shall be imposed on anyone who: 3. violates any other provision of the Law or the Regulations. Upon reviewing



the entire case file and the submitted arguments, it is clear that the Plaintiff is requesting the annulment of the fine for violating the provisions of the Law or Regulations, claiming that he has complied with Article (53) of the Implementing Regulations of the VAT Law. After examining Defendant's response memorandum, which includes the visit report dated April 13, 2018, it was confirmed that the violation was classified as "Failure to comply with tax invoice requirements," specifically "Failure to specify the tax type." While Plaintiff's violation is established, the Department did not find any evidence that the error resulted in harm or that the Plaintiff gained any financial benefit from the violation, such as failure to file tax returns, delays in submission, or errors in declarations. Given that such errors are foreseeable in business operations, and based on the general legal principles and tax regulations, fines must be proportionate to the violation. Furthermore, the Department considered the legislative intent behind granting ZATCA the power to impose fines, as outlined in Article 48 of the VAT Law, which states: "1. The Authority shall impose the fines stipulated in the Law in accordance with a classification of violations and determination of fines issued by a decision of the Board of Directors, ensuring proportionality between the violation and the fine." Since the article does not specify a minimum fine, taking into account the circumstances of this case, the Department has decided to reduce the fine to 1,000 SAR, as it deems this amount more proportionate to the nature of the violation committed.

In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

1- Fine reduction to one thousand riyals.

This decision was issued in presence of both parties. Department set thirty (30) days from date for receiving copy of decision, and may extend delivery date for another (30) days. Parties hereto may request to appeal decision within thirty (30) days from the day following the date specified for its receipt, whereafter it shall become final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article (40) of Dispute and Violation Committee Procedures)



Committee for Determination of Tax Violations and Disputes
First Department to Adjudicate of Value Added Tax Violations
and Disputes
In Dammam

Decision No.: VD-2022-216
Case No.: V-65965-2021

Key words:

Value Added Tax – VAT Refund – Property Supply – Tax Invoice – Case Dismissal

Abstract

The Plaintiff requested the Defendant to refund the VAT payment amounting to 42,500 SAR, which was charged on the sale of a property valued at 500,000 SAR, specifically a residential land plot located in Al-Shu'lah district, Dammam. Upon review, the Department found that the Plaintiff was not entitled to impose VAT because his VAT registration was not valid at the time of the property transfer. Additionally, there was no evidence that the Plaintiff issued a tax invoice at the time of sale. Conclusion: The case is dismissed.

Documents:

- [Tax Dispute and Violation Committee Procedures promulgated by Royal Decree No. \(26040\) dated 21/04/1441 AH](#)
- Article 2 of [the Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- Article (30) and Paragraph (2) of Article (26) of the Common Agreement for Value Added Tax (VAT) of the Gulf Cooperation Council (GCC), November 2016.
- Article (14) of [the Implementing Regulations of Value Added Tax Law issued by resolution of the Board of Directors of ZATCA No. \(3839\) No. \(3839\), dated 14 Dhul-Hijjah 1438 AH, corresponding to November 14, 2016.](#)

Facts

The facts of this case are summarized as follows: The Plaintiff (...), holding National ID No. (...), in his capacity as a representative under Power of Attorney No. (...), on behalf of the Plaintiff (...), holding National ID No. (...), filed a case against (...), holding Commercial Registration No. (...). The case seeks to compel the Defendant to reimburse the amount of SAR 42,500, which was paid as Value Added Tax (VAT), resulting from the sale of a property for SAR 500,000. The property in question is a residential plot located in Al-Shoala district, Dammam.

The Defendant responded with a memorandum stating: The Plaintiff did not present the company with any registration certificate or tax invoice. Additionally, the Plaintiff signed a written acknowledgment, and the matter was handled in accordance with the circular issued regarding the government's coverage of the first home tax. Furthermore, the Plaintiff registered later and made the payment to ZATCA on 11/11/2019, whereas he had sold his property to the company on 10/11/2019. End of Reply.

On Sunday, 06/02/2022, the hearing was held remotely in accordance with virtual litigation procedures. Upon calling the parties to the case, (...) holding National ID No. (...)



attended in his capacity as Plaintiff's representative under Power of Attorney No. (...). The Defendant or their representative did not appear. When asked about his claim, Plaintiff's representative reiterated the contents of the petition submitted to the General Secretariat of the Tax Committees and insisted on its claims. As the case was ready for adjudication, and after concluding the participation of the present party, the Department decided to temporarily clear the virtual courtroom for deliberation and issuance of the decision.

Grounds

After due examination and having reviewed the case file, the Value Added Tax Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, the Implementing 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, the Tax Dispute and Violation Committee Procedures issued by Royal Decree No. (26040) dated 11/06/1441 AH, the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In form, since the Plaintiff, through this case, seeks to compel the Defendant to reimburse the amount of SAR 42,500 paid as Value Added Tax (VAT), based on the VAT Law and its Implementing regulations, and considering that this dispute falls under the category of tax disputes, it is deemed to be within the jurisdiction of the Committee for the Resolution of Income Tax Violations and Disputes, as per Royal Order No. (26040) dated 21/04/1441 AH. Additionally, since the case was filed by a party with legal standing and within the legally prescribed timeframe, the Department determines that the case is formally admissible.

On merits, upon reviewing the case documents and considering the responses of both parties, after granting them sufficient time to present their arguments and evidence, it is evident that the dispute between the Plaintiff and the Defendant revolves around Plaintiff's claim for the Defendant to pay SAR 42,500 in VAT for the supply of a property valued at SAR 500,000 on (13/03/1441 AH), corresponding to (10/11/2019). Clause (2) of Article (26) of the Common Agreement for Value Added Tax of the Gulf Cooperation Council (GCC) states: "The supply value shall be the consideration value exclusive of tax, and shall include the value of the non-cash portion of the specified consideration based on the fair market value". Article (2), Paragraph (1) of the same Regulations states that: "Tax shall be imposed on the import and supply of Goods and Services in accordance with the provisions stipulated in the Agreement, the Law and the Regulations". Whereas Article (14) of the Implementing Regulations of Value Added Tax Law stipulates: "Without prejudice to Article two of the Law, for the purposes of applying the Agreement and the Law in the Kingdom, the Tax is imposed on all Taxable Supplies of Goods and Services made by a Taxable Person in the Kingdom in the course of carrying on their Economic Activity or those received by a Taxable Person in the Kingdom in the course of carrying on their Economic Activity where the Reverse Charge Mechanism applies, as well as on the Import of Goods into the Kingdom.."

After reviewing the complete case file and its contents, Plaintiff's claim against the Defendant is based on the demand for the payment of Value Added Tax (VAT) amounting to SAR 42,500 for supplying a property to the Defendant at a value of SAR 500,000, as stated in the attached deed No. (...) dated (13/03/1441 AH), corresponding to (10/11/2019), which was subsequently sold to Plaintiff's client/citizen (...) through mortgage financing. Upon examining Defendant's response memorandum, it is established that, as a general principle, the burden of paying VAT, being an indirect tax on received goods and services, falls on the customer or buyer (the recipient of goods and services), except in cases specifically exempted from tax payment under certain conditions outlined



in Article (30) of the Common Agreement for Value Added Tax of the Gulf Cooperation Council (GCC). Considering the facts of the case, it is evident that the Plaintiff is not entitled to impose the tax, as he was registered for VAT under No. (...) on (11/11/2019), with an effective date of (01/12/2019), which was not in force at the time of the property transfer. Additionally, the Plaintiff failed to provide evidence of issuing a tax invoice at the time of sale. Therefore, the Department rules to dismiss the case.

Based on the above grounds, and based on the Common VAT Agreement, VAT Law and its Implementing Regulations, and the Tax Dispute and Violation Committee Procedures, and after deliberation, the Department unanimously decided to:

Decision

- 1- To dismiss Plaintiff case.
- 2- This decision was issued in presence of both parties. Department set thirty (30) days from date for receiving copy of decision, and may extend delivery date for another (30) days. Parties hereto may request to appeal decision within thirty (30) days from the day following the date specified for its receipt. In the event that objection is not submitted within this period, it shall become final and enforceable after expiration hereof.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article (40) of Dispute and Violation Committee Procedures)



Committee for Determination of Tax Violations and
Disputes
Second Department to Adjudicate Value Added Tax
Disputes and Violations
In Riyadh

Decision No.: VSR-2022-
1350

Case No.: V-75821-2021

Key words:

Value Added Tax – Annulment of ZATCA’s Decision – Obstruction of an Authority Employee’s Work – Field Violation fine – Broad Interpretation of the Legal Provision – Acceptance of the Case in Form and Substance

Abstract

The Taxpayer seeks to annul ZATCA’s decision regarding a field violation fine of SAR 10,000. The dispute centers on the imposition of a fine for obstructing an authority employee. Upon review, the Department found no evidence that the Defendant conducted any field visit that would justify imposing such a fine on the Plaintiff. Furthermore, Plaintiff’s failure to respond to the Defendant did not prevent ZATCA from taking the necessary action regarding the tax return submitted for the second quarter of 2020. ZATCA proceeded with the exclusion of purchases and sales returns and imposed a fine for errors in the tax return. As a result, the case is accepted in form and substance.

Documents:

- Article (15.2) of [Tax Disputes and Violations Committee Procedures promulgated by Royal Order No. \(26040\) of 21/04/1441 AH.](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)
- Paragraph (2), Article (45) of [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- Article (48) of the Common Agreement for Value Added Tax of the Gulf Cooperation Council, November 2016.
- [Implementing Regulations of the Income Tax Law promulgated by Minister of Finance Decision No. \(1535\) of 11/06/1425 AH](#)
- Paragraph (1) of Article (56) and Paragraph (7) of Article (49) of [The Implementing Regulations of the Value Added Tax Law issued by the decision of the Board of Directors of the \(former\) General Authority of Zakat and Income - No. \(3839\) of 14/12/1438 AH corresponding to 14/11/2016 AD](#)

Facts

The facts of this case are summarized as follows: The Plaintiff (...), holding National Identity Number (...), in his capacity as the owner of (...) establishment, with Commercial Registration Number (...), filed an objection against a field violation fine of SAR 10,000, imposed due to obstructing the work of an Authority employee, requesting the cancellation of the fine.



Upon presenting the statement of claim to the Defendant, the response was as follows: "With reference to the claim details mentioned above, we inform the esteemed committee that the Plaintiff did not submit an objection to ZATCA in accordance with the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes. Since ZATCA's decision was issued on 10/06/2021, and the Plaintiff did not object within the statutory period, the contested decision has become final due to the expiration of the appeal period."

On Wednesday, 09/07/1443 AH (corresponding to 09/02/2022 AD), the session was opened via remote video conferencing in accordance with virtual litigation procedures. This was based on Clause (2) of Article 15 of the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes, issued by Royal Decree No. (26040) dated 21/04/1441 AH. Upon calling the parties to the case, the Plaintiff (...), holding Civil Registration Number (...), was present, along with (...) holding Civil Registration Number (...), representing the Defendant, "Zakat, Tax and Customs Authority," pursuant to the authorization letter No. (...) dated 04/06/1442 AH, issued by the Deputy Governor for Legal Affairs. When asked about the claim, the Plaintiff responded in accordance with the statement of claim and upheld its content. When Defendant's representative was asked about her response, she stated her reply as per the defense memorandum and insisted on the procedural objection. Upon reviewing the case documents, the Department requested Defendant's representative to submit a memorandum detailing the substantive defenses against the statement of claim. Accordingly, the Department decided to postpone the case hearing to Sunday, 27/02/2022, at 2:00 PM.

The Defendant then submitted a memorandum stating the following: "The Authority would like to clarify, based on the Department members' request, the grounds for imposing the fine for obstructing the work of an Authority employee, which was levied against the Plaintiff for the second quarter of 2020, as follows: The Plaintiff submitted his tax return for the second quarter of 2020 on 28/07/2020. Accordingly, ZATCA reviewed the return and requested additional information from the Plaintiff via a notification dated 15/04/2021. However, the Plaintiff did not provide any supporting data for the submitted return at that time. ZATCA attempted multiple times to contact the Plaintiff by phone, but there was no response. Additionally, an email was sent on 06/06/2021 to confirm the previous data request and to inform the Plaintiff that prior attempts had been made to reach him via phone. This was done to obtain the necessary legal documents confirming the accuracy of Plaintiff's tax return, as per ZATCA's legally granted right to request such information, stipulated in Clause (1) of Article (56) of the Implementing Regulations of the Value Added Tax (VAT) Law, which states: '1- All persons must provide ZATCA with any information requested by ZATCA for the purposes of proving their tax obligations.' However, the Plaintiff failed to cooperate with ZATCA's representatives by not providing the essential data necessary for conducting the audit and reconciliation process for the Taxpayer. This constitutes a violation of the provisions of the VAT Law and its Implementing Regulations. Therefore, ZATCA adjusted the tax return based on the available data (final assessment attached) and imposed a fine of SAR 10,000, in accordance with Clause (2) of Article (45) of the VAT Law, which states: 'A financial fine of up to SAR 50,000 shall be imposed on any person who: 2- Prevents or obstructs ZATCA's employees or any of its personnel from performing their official duties.' Additionally, a fine for filing an incorrect tax return was imposed due to the exclusion of purchases and sales returns, as the necessary supporting documents were not provided to ZATCA. This was based on Article (48) of the Common VAT Agreement, which specifies the conditions for exercising the right to deduction as follows: 'To exercise the right to deduction, the taxable person must possess the following documents: A- The tax invoice received in accordance with the provisions of this Agreement.' Furthermore,



Clause (7) of Article (49) of the VAT Law's Implementing Regulations states: 'Input tax may not be deducted unless the taxable person has evidence that the amount of input tax paid or due is in accordance with what is determined in Article (48) of the Agreement.' Based on the above, ZATCA requests the esteemed committee to dismiss the case for the reasons stated and to uphold ZATCA's action in the matter. ZATCA also reserves the right to submit further responses and clarifications before the closure of the pleadings."

On Sunday, 26/07/1443 AH (corresponding to 27/02/2022 AD), the session was opened via remote video conferencing in accordance with virtual litigation procedures, based on Clause (2) of Article 15 of the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes, issued by Royal Decree No. (26040) dated: 21/04/1441 AH. Upon calling the parties to the case, the Plaintiff (...), Civil Registration Number (...), and (...) attended, holding Civil Registration Number (...), in her capacity as the representative of the Defendant, the "Zakat, Tax, and Customs Authority," pursuant to Authorization Letter No. (...) dated 04/06/1442 AH, issued by the Deputy Governor for Legal Affairs. In this session, the Department asked Defendant's representative about the matter for which she had been granted time, and she responded in accordance with the submitted memorandum, insisting on its contents. When this was presented to the Plaintiff, he responded: That he is satisfied with what has been previously submitted; accordingly, the Department decided to adjourn the session for deliberation in preparation for issuing the decision.

Grounds

After reviewing the Case documents, and upon thorough examination, and in light of the Income Tax Law issued by Royal Decree No. (M/1) dated 15/1/1425 AH as amended and its Implementing Regulations issued pursuant to the Minister of Finance's Decision No. (1535) dated 11/6/1425 AH as amended, Value Added Tax Law issued by Royal Decree No. (M/113) dated 2/11/1438 AH as amended and the Implementing Regulations issued by the decision of ZATCA's BOD No. (3839) dated 14/12/1438 AH as amended, Tax Dispute and Violation Committee Procedures issued by Royal Decree No. (26040) dated 11/06/1441 AH, the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In form, since the Plaintiff aims, through his case, to annul the decision of Zakat, Tax, and Customs Authority regarding the field violation fine, based on the Value Added Tax (VAT) Law and its Implementing Regulations, and considering that this dispute falls within the jurisdiction of the Committee for Adjudication of Tax Violations and Disputes pursuant to Royal Decree No. (M/113) dated 02/11/1438 AH, and since the case has been filed by a party with legal standing, and given that examining the formal aspects of the decision requires first considering the legitimacy of that decision and its compliance with the laws and regulations, the Department has decided to accept the case and examine its merits.

On merits, upon reviewing the case documents and the responses of both parties after granting them sufficient time to present their arguments and evidence, the Department found that the dispute revolves around the imposition of a fine for obstructing an Authority employee. Referring to the correct provisions of the VAT Law, Clause (2) of Article (45) stipulates that: "A fine not exceeding fifty thousand (50,000) riyals shall be imposed on any person who: 2- Prevents or obstructs ZATCA's employees or any of its personnel from performing their official duties." The Defendant argued that this provision applies to the Plaintiff, as he failed to provide the necessary documents and records requested based on the review of his tax return for the second quarter of 2020. ZATCA



had contacted the Plaintiff through official correspondence via letter No. (...) dated 03/09/1442 AH, requesting those documents and records. Additionally, an email was sent to him on 06/06/2021, but since no response was received from the Plaintiff, ZATCA imposed a fine for obstructing its employee. Upon analyzing Defendant's application of this legal provision to the fine under dispute, the Department observed an overly broad interpretation of the text, where the failure to respond to correspondence was considered an obstruction of ZATCA's employees. However, obstruction is classified as a field violation, and there is no evidence before the Department that the Defendant conducted any field visit that would justify imposing such a fine on the Plaintiff. Moreover, Plaintiff's failure to respond to the Defendant did not prevent ZATCA from taking the necessary actions regarding his tax return for the second quarter of 2020, as it had already excluded purchases and sales returns and imposed a fine for errors in the return. Accordingly, since the Defendant did not conduct any field visit that would grant it the right to impose a fine for obstructing its employee, the Department has determined that this fine is invalid and should be annulled.

In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

First: Accept Plaintiff's case in form.

Second: Accepting the Plaintiff's claim on the merits and annulling the Defendant's decision to impose the fine for obstructing an Authority employee, which is the subject of the case.

This decision was issued in presence of both parties. Department set thirty (30) days from date for receiving copy of decision, and may extend delivery date for another (30) days. Parties hereto may request to appeal decision within thirty (30) days from the day following the date specified for its receipt, whereafter it shall become final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article (40) of Dispute and Violation Committee Procedures)



Committee for Determination of Tax Violations and Disputes
Second Department to Adjudicate Value Added Tax Disputes
and Violations
In Riyadh

Decision No.: VSR-2022-
1358
Case No.: 79975-2021-V

Key words:

Value Added Tax – Real Estate Supply – Proof of Valid Notification – Tax Payment
Obligation – Acceptance of the case in Form and Substance

Abstract

The Plaintiff seeks to compel the Defendant to pay the Value Added Tax (VAT) amounting to SAR 20,000. The dispute concerns the payment of VAT in the amount of SAR 20,000, representing the VAT on the value of a real estate property exceeding SAR 850,000. The property was supplied to the Defendant for a total value of SAR 1,250,000. The Department determined that the Plaintiff had sold the property in question to the Defendant and is entitled to impose VAT, particularly since he is registered for VAT. This is evidenced by the payment receipt issued by ZATCA, which indicates that the tax period commenced from 01/01/2018 to 31/03/2018, a period in which the property transfer was executed, confirming the Plaintiff as a taxable person. Conclusion: The Defendant is required to pay the Plaintiff the amount of SAR 20,000.

Documents:

- [Tax Dispute and Violation Committee Procedures promulgated by Royal Decree No. \(26040\) dated 21/04/1441 AH](#)
- Article 2 of [the Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- Article (14) of [the Implementing Regulations of Value Added Tax Law issued by resolution of the Board of Directors of ZATCA No. \(3839\) dated 14 Dhul-Hijjah 1438 AH \(corresponding to November 14, 2016\).](#)
- Article (30) of the Common Agreement for Value Added Tax of the Gulf Cooperation Council, November 2016.

Facts

The facts of this case are summarized as follows: The Plaintiff (...), holding National ID No. (...), has filed a case against Company (...), with Commercial Registration Number (...), seeking to compel the Defendant to pay the Value Added Tax (VAT) amounting to SAR 20,000 for the supply of a real estate property valued at SAR 1,250,000. The Plaintiff requests that the Defendant be obligated to make the payment.

Upon presenting the statement of claim to the Defendant and granting the legally prescribed time for a response, no reply was received.

On Thursday, 21/08/1443 AH (corresponding to 24/03/2022 AD), the session was opened via remote video conferencing in accordance with virtual litigation procedures, based on Clause (Second) of Article (15) of the Rules of Procedure for the Committees



for Adjudication of Tax Violations and Disputes, issued by Royal Decree No. (26040) dated 21/04/1441 AH. Upon calling the parties to the case, the Plaintiff (...), holding Civil Registration Number (...), was present, whereas no representative of the Defendant attended, despite the confirmed notification of the session date. The Defendant did not provide an excuse deemed acceptable by the Department. Since the Department determined that it had ZATCA to proceed with adjudicating the case under Article (20) of the Rules of Procedure for the Committees, it asked the Plaintiff about his claim. The Plaintiff reiterated the contents of his statement of claim and insisted on its provisions. When asked if he wished to add anything further, he stated that he was satisfied with what had already been presented in this session. Accordingly, the Department decided to adjourn the session for deliberation in preparation for issuing the decision.

Grounds

After reviewing the case documents and conducting a thorough examination, and upon referring to the Income Tax Law issued by Royal Decree No. (M/1) dated 15/01/1425 AH and its amendments, as well as its Implementing Regulations issued by the Minister of Finance's Decision No. (1535) dated 11/06/1425 AH and its amendments, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, along with its Implementing Regulations issued by the Board of Directors of Zakat, Tax, and Customs Authority under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Decree No. (26040) dated 11/06/1441 AH, as well as the Unified Agreement for Value Added Tax of the Gulf Cooperation Council (GCC) countries, and all relevant laws and regulations:

In form, since the case was filed by a party with legal standing and within the statutory period, it is deemed admissible in form.

On merits, the dispute revolves around Plaintiff's claim demanding the Defendant to pay VAT in the amount of SAR 20,000, representing the VAT applicable to the real estate value exceeding SAR 850,000 for the supply of a property to the Defendant worth SAR 1,250,000, as recorded in Title Deed No. (...) dated 27/05/1439 AH (corresponding to 13/02/2018 AD) and the check drawn on (...) Bank, No. (...). dated 11/02/2018 AD, for resale to Defendant's client, citizen (...), through real estate financing. Since Article (2) of the Value Added Tax Law states: "Tax shall be imposed on the import and supply of goods and services in accordance with the provisions stipulated in the Agreement, the Law and the Regulations." Moreover, Article 14 of the Implementing Regulations of Value Added Tax Law states: "Without prejudice to Article two of the Law, for the purposes of applying the Agreement and the Law in the Kingdom, the Tax is imposed on all Taxable Supplies of Goods and Services made by a Taxable Person in the Kingdom in the course of carrying on their Economic Activity or those received by a Taxable Person in the Kingdom in the course of carrying on their Economic Activity where the Reverse Charge Mechanism applies, as well as on the Import of Goods into the Kingdom.." Since the general principle in bearing the burden of tax payment, as an indirect tax on received goods and services, falls upon the customer or buyer (the recipient of goods and services), except in specific cases explicitly exempted under Article (30) of the Unified Agreement for Value Added Tax of the Gulf Cooperation Council (GCC) countries, and since the Plaintiff has sold the real estate property in question to the Defendant, he is entitled to impose VAT, especially as he is registered for VAT under number (...). This is further evidenced by the payment receipt issued by ZATCA under number (...) dated (26/06/1440 AH), which indicates that the tax period commenced from (01/01/2018) to (31/03/2018), a period in which the transfer of ownership was executed, confirming the Plaintiff as a taxable person. Since the



Defendant has not submitted a substantive response to the statement of claim and no representative attended the hearing despite the confirmed legal notification, the Department concludes that Plaintiff's case is admissible.

Based on the above grounds, and based on the Common VAT Agreement, VAT Law and its Implementing Regulations, and the Tax Dispute and Violation Committee Procedures, and after deliberation, the Department unanimously decided to:

Decision

Obligation of Defendant (...) C. R. No. (...) to pay the Plaintiff, Civil Registration Number (...), the amount of SAR 20,000.00 (twenty thousand riyals), representing the Value Added Tax (VAT) on the real estate supply subject to the case.

This decision was issued in presence of both parties. Department set thirty (30) days from date for receiving copy of decision, and may extend delivery date for another (30) days. Parties hereto may request to appeal decision within thirty (30) days from the day following the date specified for its receipt, whereafter it shall become final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article (40) of Dispute and Violation Committee Procedures)



Committee for Determination of Tax Violations and Disputes
Second Department to Adjudicate Value Added Tax Disputes
and Violations
In Riyadh

Decision No.: VSR-2022-
1360
Case No.: 66107-2021-V

Key words:

Value Added Tax – Field Violation Fine – Tax Invoice – Acceptance of the case in Form and Substance

Abstract

The Taxpayer seeks to annul ZATCA's decision to impose a fine of SAR 10,000 for violating the provisions of the VAT Law or its Implementing Regulations, specifically regarding the incorrect recording of the Taxpayer identification number on the invoice. The Department found that the Plaintiff had submitted multiple invoices in which the tax identification number was correctly recorded. However, these invoices cannot be considered valid evidence as they were issued after the date of the field inspection. Conclusion: The case is accepted in both form and substance.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- Paragraph (1) of Article (23) and Clause (3) of Article (45) of [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 11/02/1438 AH](#)
- [Common VAT Agreement of GCC States, November 2016.](#)
- Paragraph (8/B) of Article (53) of [The Implementing Regulations of the Value Added Tax Law issued by the decision of the Board of Directors of the \(former\) General Authority of Zakat and Income - No. \(3839\) of 14/12/1438 AH corresponding to 14/11/2016 AD](#)

Facts

The facts of this case are summarized as follows: The Plaintiff (...), holding National ID No. (...), in his capacity as the legal representative of the Plaintiff company, Commercial Registration Number (...), filed a statement of claim objecting to the Authority's decision to impose a fine for violating the provisions of the VAT Law or its Executive Regulations. The fine was imposed due to the Plaintiff's incorrect recording of the tax identification number on the invoice, and he requests the annulment of the Defendant's decision.

Upon presenting the statement of claim to the Defendant, the response was as follows: "First: Subjective Plea: 1. On 18/05/2021, ZATCA's representatives conducted an on-site inspection at Plaintiff's premises and examined the simplified invoices issued by the Plaintiff during a field campaign to verify compliance with the VAT Law and its Implementing Regulations. After inspection, it was found that the tax identification number on the invoice was incorrect, which constitutes a violation of the requirements for a simplified invoice as stated in Clause (B) of Paragraph (8) of Article (53) of the Implementing Regulations of the VAT Law, which provides: "B- The name, address of the supplier, and their tax identification number." 2. After



confirming Plaintiff's violation of the VAT Law and its Implementing Regulations, as detailed above, ZATCA imposed a fine of SAR 10,000 on the Plaintiff in accordance with Clause (3) of Article (45) of the VAT Law, which states: "A fine not exceeding fifty thousand (50,000) riyals shall be imposed on any person who: 3. violates any other provision of the Law or the Regulations". Second: Requests: In view of the foregoing, ZATCA requests the Honorable Committee to rule dismissal of the Case for the above-mentioned reasons". End of Reply.

On Sunday, 10/08/1443 AH (corresponding to 13/03/2022 AD), the session was opened via remote video conferencing in accordance with virtual litigation procedures, based on Clause (2) of Article 15 of the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes, issued by Royal Decree No. (26040) dated 21/04/1441 AH. Upon calling the parties to the case, no legal representative for the Plaintiff was present, despite confirmed notification of the session date. However, (...) attended, holding Civil Registration Number (...), as a representative of the Defendant, pursuant to Authorization Letter No. (...) dated .../.../..., issued by the Deputy Governor for Legal Affairs. Since the Department determined that it had ZATCA to proceed with adjudicating the case under Article (20) of the Rules of Procedure for the Committees, it asked Defendant's representative for his response to the statement of claim. He responded in accordance with the submitted defense memorandum and insisted on its contents. Accordingly, the Department decided to adjourn the session for deliberation in preparation for issuing the decision.

Grounds

After reviewing the case documents and conducting a thorough examination, and upon referring to the Income Tax Law issued by Royal Decree No. (M/1) dated 15/01/1425 AH and its amendments, as well as its Implementing Regulations issued by the Minister of Finance's Decision No. (1535) dated 11/06/1425 AH and its amendments, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, along with its Implementing Regulations issued by the Board of Directors of Zakat, Tax, and Customs Authority under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Decree No. (26040) dated 11/06/1441 AH, as well as the Unified Agreement for Value Added Tax of the Gulf Cooperation Council (GCC) countries, and all relevant laws and regulations:

In form, since the case was filed by a party with legal standing and within the statutory period, it is deemed admissible in form.

On merits, upon reviewing the case documents and the responses of both parties after granting them sufficient time to present their arguments and evidence, the Department found that the dispute revolves around the imposition of a fine for violating the provisions of the VAT Law or its Implementing Regulations due to Plaintiff's incorrect recording of the tax identification number on the invoice, amounting to SAR 10,000. Paragraph (1) of Article (23) of the VAT Law, which pertains to tax invoices, states: "The Implementing Regulations shall determine the following: 1- The contents and format of tax invoices and the deadlines for their issuance." Additionally, Paragraph (8/B) of Article (53) of the Implementing Regulations of the VAT Law, which relates to tax invoices, states: "A simplified tax invoice must include the following details: B – The name, address of the supplier, and their tax identification number." Furthermore, Clause (3) of Article (45) of the VAT Law stipulates: "A fine not exceeding fifty thousand (50,000) riyals shall be imposed on any person who: ..." 3. violates any other provision of the Law or the Regulations". It was established from



the field inspection report dated 18/05/2021, signed by the Taxpayer's representative (...), that the Plaintiff had recorded the tax identification number incorrectly on the invoices, thereby failing to comply with tax invoice requirements. The type of violation was recorded as: "Incorrect tax identification number." Additionally, the Defendant (ZATCA) attached invoice No. (...), dated 18/05/2021, to case file, which clearly shows that the Plaintiff incorrectly recorded the tax identification number on the issued invoice. The tax identification number stated on the invoice was (...), whereas, according to Plaintiff's own statement, the correct tax identification number was (...). Plaintiff's claim that the error was unintentional and was corrected on the same day of the inspection is not a valid defense, as the provisions of the Agreement, the Law, and the Implementing Regulations clearly outline the requirements for a tax invoice without ambiguity. Furthermore, while the Plaintiff submitted multiple invoices with the tax identification number correctly recorded, these invoices cannot be considered valid evidence as they were issued after the date of the field inspection. Based on the field inspection report and the invoices subject to the inspection, the Department deems the imposed fine valid in accordance with Clause (3) of Article (45) of the VAT Law.

In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

First: Accept Plaintiff's case in form.

Second: Plaintiff's claim is dismissed on the merits regarding the field violation fine subject to the case.

This decision was issued in presence of both parties. Department set thirty (30) days from date for receiving copy of decision, and may extend delivery date for another (30) days. Parties hereto may request to appeal decision within thirty (30) days from the day following the date specified for its receipt, whereafter it shall become final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article (40) of Dispute and Violation Committee Procedures)

Committee for Determination of Tax Violations and Disputes
First Department to Adjudicate of Value Added Tax Violations
and Disputes
In Riyadh

Decision No.: VD-2022-212
Case No.: V-67746-2021

Key words:

Value Added Tax – Final Assessment Notice – Submission of a Legitimate Excuse – Terminal Throat Illness – Extension of Objection Period

Abstract

The Taxpayer seeks to annul ZATCA's decision regarding the Final Assessment Notice for the third quarter of 2020. The Department determined that the Plaintiff provided evidence confirming his terminal throat illness during that period, and based on the Department's observations during his appearance, it was evident that he was unable to speak without considerable difficulty. Given these circumstances, the Department considers this a legitimate excuse that entitles the Plaintiff to resubmit his objection to ZATCA for reconsideration. The Plaintiff is granted thirty (30) days from the date of this decision being filed in the system to do so. Conclusion: The case is accepted in form, and the Plaintiff is allowed to re-file his objection before the Defendant within thirty (30) days.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 11/02/1438 AH](#)
- [Implementing Regulations of the Value Added Tax Law, issued by Resolution of the Board of Directors of the General Authority of Zakat and Income -formerly- No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH corresponding to 14 November 2016](#)
- [The Common Agreement for Value Added Tax of the Gulf Cooperation Council \(GCC\), November 2016, ratified by Royal Decree No. \(M/51\) dated 03/05/1438 AH.](#)

Facts

The facts of this case are summarized as follows: (...), acting on his own behalf, holding National Identity Number (...), filed a statement of claim requesting the annulment of Zakat, Tax, and Customs Authority's decision related to the Final Assessment Notice for the third quarter of 2020. The Plaintiff seeks the cancellation of the Defendant's decision. Having presented the statement of claim to Defendant, it responded as follows: "With reference to the case details mentioned above, we inform the esteemed committee that the Plaintiff did not submit an objection to ZATCA in accordance with the provisions of the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes. Article (2) of the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes states that: "Any person against whom a decision has been issued by GAZT may file an objection before it within 60 days from the date of notification thereof. GAZT shall decide on the objection within 90 days from the date of filing. If a decision is made to deny the objection or a period of 90 days lapses without deciding thereon, a Taxpayer may, within 30 days from the date of being notified of the denial of the objection or upon the lapse of 90 days without a decision thereon, take any of the following actions: 2. File a case directly before the dispute committee". Based on the foregoing, the Plaintiff was required to first submit his objection to Zakat, Tax, and Customs Authority before filing his case with the General Secretariat of Tax Committees. This renders the case procedurally flawed for being filed with the Secretariat before fulfilling this prerequisite. Second: Requests: Based on the foregoing, ZATCA requests the Honorable Committee to rule that the case is inadmissible in form for the reasons explained above. ZATCA also reserves the right to provide further replies and clarifications before the closing of the pleading. "

On Sunday, 30/01/2022, the session was held in accordance with remote litigation procedures, with the participation of the Plaintiff (...) Representing himself/herself, with National ID No. (...), and by Defendant's representative (...), holder of National ID No.



....., in his capacity as ZATCA's Representative by Authorization Letter No. (....), dated (.....) issued by Deputy Governor for Legal Affairs. Having asked Plaintiff about his case, he responded that he admits what is mentioned in his statement of claim submitted to General Secretariat of Zakat, Tax and Customs Committees and confirms all facts contained therein. Having asked Defendant's representative about his reply to Plaintiff claims, he maintained his answers contained in his reply deposited in case file. Having asked the parties to the case if they had any other statements, they decided to suffice with their earlier submissions. Therefore, the Department decided that parties to the Case should temporarily leave the virtual room for deliberation and adjudication.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Decree No. (26040) dated 11/06/1441 AH. the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since the Plaintiff aims, through his case, to request the annulment of Defendant's decision related to the Final Assessment Notice for the third quarter of 2020, and given that this dispute falls under the category of tax disputes, it is within the jurisdiction of the Committee for Adjudication of Income Tax Violations and Disputes, pursuant to Royal Decree No. (26040) dated 21/04/1441 AH. As the case was filed by a party with legal standing, and since the Defendant has requested the dismissal of the case on procedural grounds, arguing that the Plaintiff did not submit an objection to ZATCA within the legally prescribed period, the Department considered Plaintiff's submission of evidence confirming his diagnosis with a terminal throat illness during that period. Moreover, based on the Department's observations during his appearance, it was evident that he was unable to speak without considerable difficulty. Accordingly, the Department considers this a legitimate excuse that entitles the Plaintiff to resubmit his objection to ZATCA for reconsideration within thirty (30) days from the date of filing this decision in the case system.

In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

Accept the case in form and enable the Plaintiff to object before the Defendant again within (30) thirty days from the date of depositing the decision in the case file.

This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.



(Judgment has become final by expiration of objection period under Article (40) of Dispute and Violation Committee Procedures)



Committee for Determination of Tax Violations and Disputes
First Department to Adjudicate of Value Added Tax Violations
and Disputes
In Dammam

Decision No.: VD-2022-326
Case No.: V-70146-2021

Key words:

Value Added Tax – Field Violation Fine – Failure to Specify Payable Tax – Supply of Price-Regulated Goods – Acceptance of Plaintiff's Claim

Abstract

The Taxpayer seeks to annul ZATCA's decision regarding the field violation fine of SAR 10,000, imposed for non-compliance with tax invoice requirements due to the failure to specify the payable tax. The dispute concerns the imposition of a fine for violating the provisions of the VAT Law and its Implementing Regulations. However, the Department found that the supplied goods were limited to 91-octane gasoline, 95-octane gasoline, and diesel, which are price-regulated products. Since the price already includes VAT automatically, ZATCA's decision was deemed unjustified. Conclusion: Plaintiff's claim is accepted.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- Article 2 of [the Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- Paragraph (3) of Article (45) and Paragraph (H/8) of Article (53) of the Implementing Regulations of the Value Added Tax (VAT) Law, issued pursuant to the decision of the Board of Directors of the former General Authority of Zakat and Income, Decision No. (3839) dated 14 Dhul-Hijjah 1438 AH (corresponding to November 14, 2016).
- Paragraph (1), Article (25) of [the Common VAT Agreement of the States of the Gulf Cooperation Council \(GCC\) issued by Royal Decree No. \(M/51\) dated 03/05/1438 AH](#)

Facts

The facts of this case are summarized as follows: (...), holding National Identity Number (...), in her capacity as the owner of (...) establishment, Commercial Registration Number (...), filed a statement of claim objecting to Defendant's decision to impose a field violation fine for non-compliance with tax invoice requirements, amounting to SAR 10,000. The fine was imposed due to the failure to specify the payable tax, and the Plaintiff requests the cancellation of the imposed fine.

Having presented the statement of claim to Defendant, it responded as follows:

First: Substantive Defense, on 08/06/2021, ZATCA's representatives conducted an on-site inspection at Plaintiff's premises and examined the simplified invoices issued by the Plaintiff during a field campaign to verify compliance with the Value Added Tax (VAT) Law and its Implementing Regulations. Upon inspection, it was found that the Plaintiff



had violated the provisions of Article (2) of the VAT Law, as well as the requirements for simplified invoices set forth in Clause (H) of Paragraph (8) of Article (53) of the Implementing Regulations of the VAT Law, which states: "A simplified tax invoice must include the following details: e. The payable tax amount or a statement that the price includes tax concerning the supply of goods or services." The invoices issued by the Plaintiff did not specify the payable tax amount at the legally prescribed rate. 2. After confirming Plaintiff's violation of the VAT Law and its Implementing Regulations, as outlined above, ZATCA imposed a fine of SAR 10,000 in accordance with Paragraph (3) of Article (45) of the VAT Law, which states: "A fine not exceeding fifty thousand (50,000) riyals shall be imposed on any person who: 3. violates any other provision of the Law or the Regulations"

Second: Requests: Based on the above, ZATCA requests the esteemed committee to dismiss the case. End of Reply.

The Plaintiff responded with a defense memorandum, stating: "A prior objection was submitted regarding the violation recorded by the Zakat and Income Authority, clarifying that no such violation exists against the establishment. This is because the establishment operates an automated accounting system, which automatically generates invoices, including the tax identification number, invoice amount, and tax amount, all of which are automatically included in the total amount due and paid. However, the objection was rejected by the Zakat and Income Authority without any justification for the refusal. A notice of escalation was subsequently submitted to the Tax Committees, as the establishment has no violations. Moreover, when the designated inspector from the Zakat and Income Authority was asked whether there were any violations or remarks recorded against the establishment, he confirmed that no violations or remarks were recorded." End of Reply.

On Tuesday, 15/02/2022, the session was held in accordance with remote litigation procedures. The Defendant attended, while the Plaintiff did not appear, despite having been notified of the session date and its virtual format. Defendant's representative, (...), holding National Identity Number (...), attended as a representative of Zakat, Tax, and Customs Authority, pursuant to Authorization Letter No. (...) dated (...), issued by the Deputy Governor for Legal Affairs. When confronted with this, Defendant's representative requested to proceed with the case and issue a decision. Therefore, the Department decided to adjourn the session for deliberation and issue a decision.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Decree No. (26040) dated 11/06/1441 AH. the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since the Plaintiff aims, through her case, to request the annulment of Defendant's decision regarding the imposition of a field violation fine for non-compliance with tax invoice requirements, based on the Value Added Tax (VAT) Law and its Implementing Regulations, and given that this dispute falls under the category of tax disputes, it is within the jurisdiction of the Committee for Adjudication of Tax Violations and Disputes, pursuant to Royal Decree No. (26040) dated 21/04/1441 AH. As the case was filed by a party with legal standing and within the legally prescribed period, the Department deems the case admissible in form.



On Merits: Upon reviewing the case documents and the responses of both parties, after granting them sufficient time to present their arguments and evidence, it became evident that the dispute revolves around the imposition of a fine for violating the provisions of the VAT Law and its Implementing Regulations. Paragraph (1) of Article (25) of the Common Agreement for Value Added Tax of the Gulf Cooperation Council (GCC) states: "A standard tax rate of 5% shall apply to the value of the supply or import unless an exemption or a zero-rate tax is expressly stipulated for the same supply in this Agreement." Additionally, Clause (H/8) of Article (53) of the Implementing Regulations of the VAT Law states: "A simplified tax invoice must include the following details: e - The payable tax amount or a statement that the price includes tax concerning the supply of goods or services." Furthermore, Clause (3) of Article (45) of the VAT Law stipulates: "A fine not exceeding fifty thousand (50,000) SAR shall be imposed on anyone who: 3. violates any other provision of the Law or the Regulations".

After reviewing the submitted documents, it is evident that the Plaintiff is requesting the cancellation of the violation for non-compliance with the provisions of the VAT Law or its Implementing Regulations, asserting in her response to ZATCA's defense memorandum that she has complied with tax invoice requirements. Upon examining the details of the case, it is clear that the supplied goods are limited to 91-octane gasoline, 95-octane gasoline, and diesel, which are price-regulated products. Since the price already includes VAT automatically, ZATCA's decision is deemed unjustified. Accordingly, the Department finds grounds to annul Defendant's decision.

Based on the above grounds, and based on the Common VAT Agreement, VAT Law and its Implementing Regulations, the Department, after deliberation, unanimously decided:

Decision

Accepting Plaintiff's claim and annulling the Defendant's decision subject to the case. This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article (40) of Dispute and Violation Committee Procedures)



Committee for Determination of Tax Violations and Disputes
First Department to Adjudicate of Value Added Tax Violations
and Disputes
In Dammam

Decision No.: VD-2022-328
Case No.: V-66423-2021

Key words:

Value Added Tax – Field Violation Fine – Annulment of the Fine in Dispute – Acceptance of Plaintiff's Claim

Abstract

The Taxpayer seeks to annul ZATCA's decision to impose a field violation fine of SAR 10,000 for non-compliance with tax invoice requirements. The dispute revolves around the imposition of a fine for violating the provisions of the VAT Law and its Implementing Regulations. Upon reviewing the violation record, the Department found that the violation was recorded on 16/07/2018, while the fine was not issued until approximately two years later. Given the significant gap between the date of the violation and the issuance of the fine, it suggests either a lack of conviction by ZATCA in imposing the fine at the time or negligence in issuing it. The purpose of fines is to immediately notify the violator of their offense or misconduct, which was not achieved in this case. Conclusion: Plaintiff's claim is accepted.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- Article (2) and Paragraph (3) of Article (45) of [the Income Tax Law issued by Royal Decree No. \(M/113\) dated 02/11/1438 AH.](#)
- Paragraph (e/8) of Article (53) [The Implementing Regulations of the Value Added Tax Law issued by the decision of the Board of Directors of the \(former\) General Authority of Zakat and Income - No. \(3839\) of 14/12/1438 AH corresponding to 14/11/2016 AD](#)
- [Common VAT Agreement of GCC States, November 2016.](#) Certified by Royal Decree No. (M/51), dated 03/05/1438 AH.

Facts

The facts of this case are summed up in that Mr....., holder of National ID No., appeared in his capacity as Plaintiff's Attorney under POA No. holding National Identity Number (...), in his capacity as the owner of (...) establishment, Commercial Registration Number (...), he filed a statement of claim objecting to Defendant's decision to impose a field violation fine for non-compliance with tax invoice requirements, amounting to SAR 10,000. The fine was imposed due to collecting a lower tax amount than what was due, and the Plaintiff requests the cancellation of the fine.

The Defendant responded with a memorandum of reply, stating the following: First: On Merits: On 16/07/2018, ZATCA's representatives conducted an on-site inspection at



Plaintiff's premises and examined the simplified invoices issued by the Plaintiff during a field campaign to verify compliance with the Value Added Tax (VAT) Law and its Implementing Regulations. After inspection, it was found that the invoices did not comply with the provisions of Article (2) of the VAT Law and the requirements for simplified invoices, as stated in Article (e/8) of Article (53) of the Implementing Regulations of the VAT Law, which states: "A simplified tax invoice must include the following details.... E) The payable tax amount or a statement that the price includes tax concerning the supply of goods or services." The tax invoices issued by the Plaintiff included tax amounts lower than the legally prescribed rate, resulting in a violation. After confirming Plaintiff's violation of the VAT Law and its Implementing Regulations, as outlined above, ZATCA imposed a fine of SAR 10,000, pursuant to Decision No. (...) dated 29/04/2021, based on Clause (3) of Article (45) of the VAT Law, which states: "A fine not exceeding fifty thousand (50,000) riyals shall be imposed on any person who: 3. violates any other provision of the Law or the Regulations". Defendant representative concluded his Reply requesting that the case be dismissed. End of Reply.

On Tuesday, 15/02/2022, the session was held in accordance with remote litigation procedures, as both parties expressed their desire to proceed with the case. The session was attended by (...), holding National Identity Number (...), as Plaintiff's representative pursuant to Power of Attorney No. (...), and (...), holding National Identity Number (...), as the representative of Zakat, Tax, and Customs Authority, pursuant to Authorization Letter No. (...) dated (...), issued by the Deputy Governor for Legal Affairs. When asked about the case, Plaintiff's representative responded in accordance with the statement of claim submitted to the General Secretariat of Tax Committees and affirmed his adherence to its contents. When asked for his response, Defendant's representative stated that he adhered to the defense memorandum previously submitted. Having asked the parties to the case if they had any other statements, they decided to suffice with their earlier submissions. Therefore, the Department decided that parties to the Case should temporarily leave the virtual room for deliberation and adjudication.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Decree No. (26040) dated 11/06/1441 AH. the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since the Plaintiff aims, through his case, to request the annulment of Defendant's decision regarding the imposition of a field violation fine due to non-compliance with tax invoice requirements, based on the Value Added Tax (VAT) Law and its Implementing Regulations, and given that this dispute falls under the category of tax disputes, it is within the jurisdiction of the Committee for Adjudication of Tax Violations and Disputes, pursuant to Royal Decree No. (26040) dated 21/04/1441 AH. As the case was filed by a party with legal standing and within the legally prescribed period, the Department deems the case admissible in form.

On Merits: Upon reviewing the case documents and the responses of both parties, after granting them sufficient time to present their arguments and evidence, it became evident



that the dispute revolves around the imposition of a fine for violating the provisions of the VAT Law and its Implementing Regulations. Paragraph (8) of Article (53) of the Implementing Regulations of the VAT Law states: "A simplified tax invoice must include the following details.... e. The payable tax amount or a statement that the price includes tax concerning the supply of goods or services. Additionally, Paragraph (3) of Article (45) of the VAT Law states: "A fine not exceeding fifty thousand (50,000) riyals shall be imposed on any person who: 3. violates any other provision of the Law or the Regulations." Upon reviewing the date of the recorded violation, it was found that the violation was recorded on 16/07/2018, while the fine was not issued until approximately two years later. The long gap between the date of the violation and the issuance of the fine suggests either a lack of conviction by ZATCA in imposing the fine at the time or negligence in issuing it. The purpose of fines is to immediately notify the violator of their offense or misconduct. Since this purpose was not achieved, imposing the fine after such a long period deviates from the intended administrative objective. Furthermore, this delay has deprived the Taxpayer of the opportunity to present his evidence in a timely manner, rendering the decision unjustifiable and unworthy of endorsement.

For these reasons, after deliberation in accordance with legal procedures and upon reviewing the provisions of the VAT Law and the Rules of Procedure for the Committees, the Department has unanimously decided as follows:

Decision

Accepting the Plaintiff's claim and annulling the fine subject to the case. This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article (40) of Dispute and Violation Committee Procedures)



Committee for Determination of Tax Violations and Disputes
First Department to Adjudicate of Value Added Tax Violations
and Disputes
In Dammam

Decision No.: VD-2022-385
Case No.: V-65230-2021

Key words:

Value Added Tax – fine for Late Registration – Failure to Present an Objection to the Decision – Dismissal of the Plaintiff's Claim

Abstract

The Taxpayer requests the annulment of ZATCA's decision to impose a fine for late registration in the Value Added Tax (VAT) amounting to (10,000) riyals. However, the Department found that the Plaintiff did not present any objection challenging the validity of ZATCA's basis for registering the Plaintiff. Instead, the claim was merely an unsubstantiated statement without supporting evidence. Conclusion: The case is dismissed.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 11/02/1438 AH](#)
- Paragraphs (1) and (2) of Article (50) of the Common Agreement for Value Added Tax of the Gulf Cooperation Council (GCC), November 2016.
- Article (56) of [the Implementing Regulations of Value Added Tax Law issued by resolution of the Board of Directors of ZATCA No. \(3839\) on 14/14/1438 AH.](#)

Facts

The facts of this case can be summarized as follows: The establishment (...) with Commercial Registration Number (...), owned by (...), holding National ID Number (...), submitted a statement of claim objecting to the decision of the Defendant regarding the imposition of a fine for late registration in the Value Added Tax (VAT), amounting to (10,000) riyals, and requested the cancellation of the fine.

Having presented the statement of claim to Defendant, it responded as follows: First: On Merits: 1. Paragraph (2) of Article (50) of the Common VAT Agreement of the States of the Gulf Cooperation Council states that "The Mandatory Registration Threshold shall be SAR 375,000" Additionally, Article (3) of the Implementing Regulations of the VAT Law states, "For registration purposes, every Resident Person in the Kingdom who is not registered by GAZT must at the end of each month calculate the value of his Supplies made in the Kingdom within the twelve months then ended, in accordance with the requirements set out in the Agreement. In cases where this value exceeds the Mandatory Registration Threshold detailed in the Agreement, the Person must apply to GAZT to register within thirty (30) days of the end of that month pursuant to Article eight of these



Regulations". 3. Article (6) of the Implementing Regulations of the Value Added Tax (VAT) Law states that: "If any person required to register fails to submit a registration application to ZATCA in accordance with these Regulations, ZATCA may register them without requiring a formal application. The registration shall take effect from the date specified in Articles 3 and 4 of these Regulations." Furthermore, Article (56) of the Implementing Regulations of the VAT Law grants ZATCA the right to obtain any information directly and continuously that is directly related to the tax and is held by a third party. Upon reviewing the Plaintiff's data held by third parties (Saudi Central Bank), it was found that their supplies exceeded the mandatory registration threshold.

4. Based on the above, a fine for late registration was imposed on the Plaintiff through Decision No. (...) in accordance with Article (41) of the VAT Law, which states: "Anyone who fails to submit a registration application within the period specified in the Regulations shall be subject to a fine of (10,000) ten thousand riyals." Defendant representative concluded his Reply requesting that the case be dismissed. End of Reply. On Monday, 21/02/2022, the session was held in accordance with remote litigation procedures. The Defendant attended, while the Plaintiff did not appear despite being notified of the session's date and method of convening. The Defendant was represented by (...) holding National ID Number (...), acting as a representative of Zakat, Tax, and Customs Authority under Authorization Letter No. (...) dated 08/03/1442 AH, issued by the Deputy Governor for Legal Affairs. Upon being confronted with this, the representative requested the continuation of the proceedings and the issuance of a decision. Therefore, the Department decided to adjourn the session for deliberation and delivering of its decision.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Decree No. (26040) dated 11/06/1441 AH. the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since the Plaintiff seeks, through her case, to annul Defendant's decision regarding the imposition of a late registration fine for Value Added Tax (VAT), based on the VAT Law and its Implementing Regulations, and since this dispute falls under the category of tax disputes, it is considered to be within the jurisdiction of the Committee for Adjudicating Violations and Disputes of VAT, pursuant to Royal Decree No. (26040) dated 21/04/1441 AH. Given that the case was filed by an authorized party and within the legally prescribed period, the Department deems it appropriate to accept the case procedurally.

On Merits: On merits of the case, upon reviewing the case documents and the responses of both parties after granting them sufficient time to present their arguments, it is clear that the dispute between the Plaintiff and the Defendant revolves around the imposition of the late registration fine. Article (50), Paragraph (1) of the Common Agreement for VAT of the Gulf Cooperation Council (GCC) states: "A taxable person shall be required to register for the purposes of implementing this Agreement if: A. They are a resident in any of the Member States. B. Their annual supplies in that Member State exceed or are expected to exceed the mandatory registration threshold." Paragraph (2) of the same article of the Common Agreement for VAT of the Gulf Cooperation Council (GCC) states: "The



mandatory registration threshold is 375,000 Saudi Riyals (or its equivalent in other GCC currencies). The Ministerial Committee may amend the registration threshold after three years of implementation.” Additionally, Paragraph (2) of Article (56) of the Implementing Regulations of the VAT Law states: "The Authority, in addition to other rights stipulated in this article, may have direct and continuous access to any information directly related to the tax, which is retained by a third party."

After reviewing the entire case file and the presented arguments, it is evident that the Plaintiff seeks to annul the late registration fine amounting to 10,000 Saudi Riyals. However, since the Plaintiff has not provided any evidence to challenge the validity of ZATCA's decision regarding the registration, and as the case is based merely on unsubstantiated claims without supporting proof, the Department concludes that the case shall be dismissed.

In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

To dismiss Plaintiff case.

This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and Disputes
First Department to Adjudicate of Value Added Tax Violations
and Disputes
In Dammam

Decision No.: VD-2022-391
Case No.: V-67654-2021

Key words:

Value Added Tax – Field Violation fine – Non-Compliance with Tax Invoice Requirements – Time Gap Between Violation Detection and fine Issuance

Abstract

The Taxpayer seeks to annul ZATCA's decision regarding the field violation fine for non-compliance with tax invoice requirements, amounting to 10,000 SAR. The dispute revolves around the imposition of a fine for violating the provisions of the VAT Law and its Implementing Regulations. The Department observed that there was a significant time gap between the date of the violation detection and the issuance of the fine, which suggests either ZATCA's lack of conviction in imposing the fine at the time or its delay in issuing it. Since the purpose of imposing a fine is to immediately notify the offender of their violation or negligence, the delay in issuing the fine raises concerns regarding its validity. Conclusion, acceptance of the Plaintiff's case and the annulment of the fine.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- Paragraph (2) of Article (2) and Paragraph (3) of Article (45) of [Income Tax Law issued by Royal Decree No. \(M/113\) dated 15/01/1425 AH](#).
- Paragraph (1) of Article (25) of [the Common VAT Agreement of the States of the Gulf Cooperation Council \(GCC\) issued by Royal Decree No. \(M/51\) dated 03/05/1438 AH](#)
- Paragraph (e/8) of Article (53) of [the Implementing Regulations of the Value Added Tax Law, issued pursuant to the decision of the Board of Directors of the former General Authority of Zakat and Tax \(GAZT\), No. \(3839\), dated 14 Dhul-Hijjah 1438 AH, corresponding to November 14, 2016.](#)

Facts

The facts of this case can be summarized as follows: (...) holding National ID No. (...), as the owner of (...) Establishment, with Commercial Registration No. (...), filed a statement of claim objecting to Defendant's decision to impose a field violation fine for non-compliance with tax invoice requirements. The fine amounts to 10,000 SAR and was imposed due to the failure to collect Value Added Tax (VAT). The Plaintiff requests the annulment of the imposed fine.

Having presented the statement of claim to Defendant, it responded as follows: First: Substantive Defense, on February 24, 2019, representatives of ZATCA visited Plaintiff's premises and examined the simplified invoices issued during a field campaign aimed at



ensuring compliance with the VAT Law and its Implementing Regulations. Upon inspection, it was found that the invoices violated the provisions stated in Paragraph (1) of Article (25) of the Common Agreement for VAT of the Gulf Cooperation Council (GCC) and Article 2 of the VAT Law in force at the time of the incident. The invoices also failed to meet the requirements of Paragraph (e) of Clause (8) of Article (53) of the Implementing Regulations of the VAT Law, which states: "A simplified tax invoice must include the following details: ..." e. The payable tax amount or a statement that the price includes tax concerning the supply of goods or services." As the invoices did not include the VAT amount due at the statutory rate (attached).

2. After verifying Plaintiff's violation of the provisions of the VAT Law and its Implementing Regulations, as stated above, ZATCA imposed a fine of 10,000 SAR pursuant to the decision issued against the Plaintiff, based on Paragraph (3) of Article (45) of the VAT Law, which states: 3. violates any other provision of the Law or the Regulations". Second: Requests: Based on the above, ZATCA requests the esteemed committee to dismiss the case. End of Reply.

On Monday, February 21, 2022, a hearing was held remotely via virtual litigation procedures, as both parties wished to proceed with the case. The session was attended by the Plaintiff (...), representing herself, with National ID No. (...), and Defendant's representative (...), with National ID No. (...), acting as a representative of Zakat, Tax, and Customs Authority, pursuant to Authorization Letter No. (...) dated (...), issued by the Deputy Governor for Legal Affairs. When asked about the claim, the Plaintiff affirmed her position as stated in the statement of claim submitted to the General Secretariat of the Tax Committees, and insisted on its contents. When Defendant's representative was asked for a response, he affirmed his position as stated in the reply memorandum and adhered to its contents. Having asked the parties to the case if they had any other statements, they decided to suffice with their earlier submissions. Therefore, the Department ordered that the parties be temporarily dismissed from the virtual session for deliberation and delivery of its decision.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Decree No. (26040) dated 11/06/1441 AH. the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since the Plaintiff aims, through her case, to request the annulment of Defendant's decision regarding the imposition of a field violation fine for non-compliance with tax invoice requirements, based on the Value Added Tax (VAT) Law and its Implementing Regulations, and given that this dispute falls under the category of tax disputes, it is within the jurisdiction of the Committee for Adjudication of Tax Violations and Disputes, pursuant to Royal Decree No. (26040) dated 21/04/1441 AH. As the case was filed by a party with legal standing and within the legally prescribed period, the Department deems the case admissible in form.

On Merits: Upon reviewing the case documents and the responses of both parties after granting them sufficient time to present their arguments, it is evident that the dispute revolves around the imposition of a fine for violating the provisions of the VAT Law and its Implementing Regulations. Paragraph (2) of Article (2) of the VAT Law states: "VAT



shall be applied at a standard rate of 5% on the value of the supply or import, unless an exemption or a zero rate is provided for the same supply based on the provisions of the Law and its Regulations.” Additionally, Paragraph (e/8) of Article (53) of the Implementing Regulations of the VAT Law states: "A simplified tax invoice must include the following details: e - The VAT amount due or a statement indicating that the total amount includes VAT, with respect to the supply of goods and services.” Furthermore, Paragraph (3) of Article (45) of the VAT Law provides: “A fine not exceeding fifty thousand (50,000) SAR shall be imposed on anyone who: 3. violates any other provision of the Law or the Regulations”.

Upon reviewing the date of the violation detection, it was found to be February 24, 2019, whereas the fine decision was not issued until approximately two years later. The significant time gap between the date of detection and the issuance of the fine suggests either ZATCA’s lack of conviction in imposing the fine at the time or its delay in issuing it. Since the purpose of imposing a fine is to immediately notify the violator of their misconduct or negligence, the delay in its issuance deviates from this intended purpose. Furthermore, such a delay prevents the Taxpayer from presenting their evidence in a timely manner, thereby undermining their right to a fair defense. As a result, ZATCA’s decision is not worthy of endorsement, and it is necessary to rule in favor of the Plaintiff, accept the case, annul the contested decision, and nullify its consequences.

Based on the above grounds, and based on the Common VAT Agreement, VAT Law and its Implementing Regulations, and the Tax Dispute and Violation Committee Procedures, and after deliberation, the Department unanimously decided to:

Decision

Accepting the Plaintiff’s claim and annulling the fine subject to the case.

This decision was issued in the presence of both litigants, and Department set a thirty days’ period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah’s Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-396
Case No.: V-64830-2021

Key words:

Value Added Tax – Late VAT Registration fine – Supply of Goods – Annulment of the Contested fine

Abstract

The Taxpayer seeks to annul ZATCA's decision regarding the imposition of a late VAT registration fine, amounting to 10,000 SAR. Upon review, the Department found that ZATCA registered the Taxpayer based on data obtained from the Saudi Central Bank, which indicated that the Taxpayer's total supplies amounted to 363,163.13 SAR. Since there is no evidence proving that the supplies exceeded the mandatory registration threshold, the fine is unjustified. Conclusion: Plaintiff's claim is accepted.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 11/02/1438 AH](#)
- [Common VAT Agreement of GCC States, November 2016](#). Paragraph (1) and Paragraph (2) of Article (50), ratified by Royal Decree No. (M/51) dated 03/05/1438 AH.
- Paragraph (1) of Article (3), Paragraph (2) of Article (56) [The Implementing Regulations of the Value Added Tax Law issued by the decision of the Board of Directors of the \(former\) General Authority of Zakat and Income - No. \(3839\) of 14/12/1438 AH corresponding to 14/11/2016 AD](#)

Facts

The facts of this case can be summarized as follows: (...), holding National ID No. (...), and the owner of (...), with Commercial Registration No. (...), submitted a statement of claim objecting to Defendant's decision to impose a late VAT registration fine amounting to 10,000 SAR, requesting the annulment of the fine.

Having presented the statement of claim to Defendant, it responded as follows: First: On Merits: 1. Paragraph (2) of Article (50) of the Common VAT Agreement of the States of the Gulf Cooperation Council states that "The Mandatory Registration Threshold shall be SAR 375,000" Additionally, Article (3) of the Implementing Regulations of the VAT Law states, "For registration purposes, every Resident Person in the Kingdom who is not registered by GAZT must at the end of each month calculate the value of his Supplies made in the Kingdom within the twelve months then ended, in accordance with the requirements set out in the Agreement. In cases where this value exceeds the Mandatory Registration Threshold detailed in the Agreement, the Person must apply to GAZT to register within thirty (30) days of the end of that month pursuant to Article eight of these



Regulations". 3. Article (6) of the Implementing Regulations of the Value Added Tax (VAT) Law states that: "If any person required to register fails to submit a registration application to ZATCA in accordance with these Regulations, ZATCA may register them without requiring a formal application. The registration shall take effect from the date specified in Articles 3 and 4 of these Regulations." Furthermore, Article (56) of the Implementing Regulations of the VAT Law grants ZATCA the right to obtain any information directly and continuously that is directly related to the tax and is held by a third party. Upon reviewing the Plaintiff's data held by third parties (Saudi Central Bank), it was found that their supplies exceeded the mandatory registration threshold.

4. Based on the above, a late registration fine was imposed pursuant to Article (41) of the VAT Law, which states, "Any Person who has not applied for registration within the period specified in the Regulations shall be fined ten thousand (10,000) riyals". Defendant representative concluded his Reply requesting that the case be dismissed. End of Reply.

On Sunday, 20/02/2022 AD, a session was held remotely as per the remote litigation procedures. The Defendant was present, while the Plaintiff was not, despite being notified of the date and format of the session. The Defendant was represented by Mr..... holder of National ID No., in his capacity as ZATCA's Representative by Authorization Letter No. (...), dated (.....) issued by Deput Governor for Legal Affairs. Given the Plaintiff's absence, the Defendant requested to proceed with the case and issue a decision. Therefore, the Department decided to adjourn the session for deliberation and delivering of its decision.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Decree No. (26040) dated 11/06/1441 AH. the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since the Plaintiff seeks, through her case, to annul Defendant's decision regarding the imposition of a late registration fine for Value Added Tax (VAT), based on the VAT Law and its Implementing Regulations, and since this dispute falls under the category of tax disputes, it is considered to be within the jurisdiction of the Committee for Adjudicating Violations and Disputes of VAT, pursuant to Royal Decree No. (26040) dated 21/04/1441 AH. Given that the case was filed by an authorized party and within the legally prescribed period, the Department deems it appropriate to accept the case procedurally.

On Merits: On merits of the case, upon reviewing the case documents and the responses of both parties after granting them sufficient time to present their arguments, it is clear that the dispute between the Plaintiff and the Defendant revolves around the imposition of the late registration fine. Article (50), Paragraph (1) of the Common Agreement for VAT of the Gulf Cooperation Council (GCC) states: "A taxable person shall be required to register for the purposes of implementing this Agreement if: A. They are a resident in any of the Member States. b. B. Their annual supplies in that Member State exceed or are expected to exceed the mandatory registration threshold." Paragraph (2) of the same article of the Common Agreement for VAT of the Gulf Cooperation Council (GCC) states: "The mandatory registration threshold is 375,000 SAR (or its equivalent in other GCC



currencies). The Ministerial Committee may amend the registration threshold after three years of implementation.” Additionally, Paragraph (1) of Article (3) of the Implementing Regulations of the VAT Law states: "Any person residing in the Kingdom who is not registered with the Authority must, at the end of each month, calculate the value of their supplies over the previous twelve months in accordance with the requirements stipulated in the Agreement. If this value exceeds the mandatory registration threshold set out in the Agreement, they must submit a registration application to ZATCA within thirty (30) days from the end of that month, in accordance with Article 8 of these Regulations.” Furthermore, Paragraph (2) of Article (56) of the Implementing Regulations of the VAT Law states: "The Authority, in addition to other rights stipulated in this article, may have direct and continuous access to any information directly related to the tax, which is retained by a third party."

After reviewing the entire case file and the submitted arguments, it is evident that the Plaintiff seeks to annul the late VAT registration fine, amounting to 10,000 SAR. Since ZATCA registered the Plaintiff based on data obtained from the Saudi Central Bank, which indicated that the total supplies amounted to 363,163.13 SAR, there is no evidence proving that the supplies exceeded the mandatory registration threshold during the period from May 2020 to March 2021. Accordingly, the Department decides to annul Defendant's decision.

Based on the above grounds, and based on the Common VAT Agreement, VAT Law and its Implementing Regulations, and the Tax Dispute and Violation Committee Procedures, and after deliberation, the Department unanimously decided to:

Decision

Accepting the Plaintiff's claim and annulling the fine subject to the case.

This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Damman

Decision No.: VD-2022-397
Case No.: V-56772-2021

Key words:

Value Added Tax – Late Payment fine – Final Assessment Notice – Dismissal of the Claim

Abstract

The Taxpayer seeks to annul ZATCA's decision regarding the imposition of a late payment fine for the tax period of Q4 2020. Upon review, the Department found that the late payment fine was imposed for the subsequent months following the Q4 2020 tax period, resulting from the final assessment notice for that period. The fine was due to a discrepancy in the amount of VAT due, which was not paid within the statutory deadline. As the company has not provided any valid grounds for annulling or amending the contested decision, the Department dismisses the claim. Accordingly, the Department decided to dismiss Plaintiff's case.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 11/02/1438 AH](#)
- [Common VAT Agreement of GCC States, November 2016.](#)
- Paragraph (1) of Article (59), Paragraph (10) of Article (79) of [The Implementing Regulations of the Value Added Tax Law issued by the decision of the Board of Directors of the \(former\) General Authority of Zakat and Income - No. \(3839\) of 14/12/1438 AH corresponding to 14/11/2016 AD](#)

Facts

The facts of this case can be summarized as follows: (...) Company, holding Commercial Registration No. (...), submitted a statement of claim through (...), holding Resident ID No. (...), in his capacity as the company's legal representative pursuant to the Articles of Incorporation. The claim includes an objection to Defendant's decision to impose a late payment fine for the tax period of Q4 2020, requesting the annulment of the fine.

Having presented the statement of claim to Defendant, it responded as follows: First: In from: Whereas Article (49) of Value Added Tax Law stipulates: "Any person against whom a fine decision is issued may appeal such decision as per Tax Dispute and Violation Committee Procedures" Article (3) of the Rules for the Functioning of the Committees for the Resolution of Tax Violations and Disputes states that: "The Authority's decision becomes final and not subject to appeal before any other entity in the following cases:" 1. If a Taxpayer does not object to the decision within 60 days from the date of notification thereof. And since the ZATCA decision is issued on 04/03/2020 AD and Plaintiff did not appeal before ZATCA within the period specified under the Law and referred to above, the ZATCA decision has become final and not disputed before any other agency. Second: On Merits: Regarding the late payment fine in dispute, after reviewing Plaintiff's tax return



for Q4 2020, ZATCA found it to be inaccurate. Consequently, ZATCA was required to amend Plaintiff's tax return and issue a final assessment notice on 04/03/2021. This resulted in a discrepancy in the VAT due, which was not paid within the statutory deadline (the tax due date as stipulated in Article 23 of the Unified VAT Agreement). Based on this, a late payment fine was imposed for the subsequent months following the tax period in dispute, as previously explained, in accordance with Article (43) of the VAT Law, which states: "Any person who fails to pay the due tax within the period specified by the regulations shall be subject to a fine equal to 5% of the unpaid tax amount for each month or part thereof in which the tax remains unpaid." In response to Plaintiff's argument in the statement of claim that ZATCA provided incorrect information, which led to an error in entering tax return data, ZATCA asserts that the Plaintiff is fully obligated to comply with the VAT Law and its Implementing Regulations. Accordingly, ZATCA upholds the validity of its decision to impose the late payment fine in dispute. Defendant's representative concluded his memorandum by requesting the dismissal of the case on procedural grounds and the rejection of the claim. End of Reply.

On Wednesday, February 16, 2022, the hearing was held remotely via virtual litigation procedures. The Defendant attended the session, while the Plaintiff was absent despite being duly notified of the hearing date and its remote format. The session was attended by Defendant's representative (...). holder of National ID No., in his capacity as ZATCA's Representative by Authorization Letter No. (...), dated (.....) issued by Deput Governor for Legal Affairs. Given the Plaintiff's absence, the Defendant requested to proceed with the case and issue a decision.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Decree No. (26040) dated 11/06/1441 AH. the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since the Plaintiff seeks, through her case, to annul Defendant's decision regarding the imposition of a late payment fine for the tax period of Q4 2020, based on the VAT Law and its Implementing Regulations, and since this dispute falls under the category of tax disputes, it is within the jurisdiction of the Committee for the Resolution of Tax Violations and Disputes, in accordance with Royal Decree No. (M/113) dated 02/11/1438 AH. Given that the case was filed by an authorized party and within the legally prescribed period, the Department accepts the case procedurally.

On Merits: On Merits of the Case, upon reviewing the case documents and the responses of both parties, after granting them sufficient time to present their arguments, it is clear that the dispute revolves around the imposition of a late payment fine, which resulted from the final assessment notice for the Q4 2020 tax period. The Defendant amended the amount of domestic taxable sales at the standard rate (15%) by increasing it to 4,810,066.71 SAR, due to the non-applicability of the transitional provisions set forth in Paragraph (10) of Article (79) of the Implementing Regulations of the VAT Law. Additionally, part of the domestic taxable purchases at the 15% standard rate was excluded. Furthermore, Paragraph (1) of Article (59) of the Implementing Regulations of the VAT Law states:



“Payment of Tax due by a Taxable Person in respect of a Tax Period must be made at the latest by the last day of the month following the end of that Tax Period”” Additionally, Article (43) of the VAT Law states: “Whoever does not pay the tax due within the period specified by the Regulations shall be fined an amount equaling (5%) of the value of unpaid tax, for each month or fraction of month for which the tax was not paid.”

After reviewing the entire case file and the submitted arguments, it was found that the late payment fine was imposed for the subsequent months following the Q4 2020 tax period. This fine resulted from the final assessment notice for the Q4 2020 period, due to a discrepancy in the VAT due, which was not paid within the statutory deadline. Since the company has not provided any valid grounds for annulling or amending the contested decision, the Department decides to dismiss the case, in accordance with Article (43) of the VAT Law.

In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

To dismiss Plaintiff case.

This decision was issued in the presence of both litigants, and Department set a thirty days’ period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah’s Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-398
Case No.: V-55105-2021

Key words:

Value Added Tax – Field Violation fine – Late Registration fine – Lack of Violation Proof
– Annulment of the Contested fine – Acceptance of Plaintiff's case

Abstract

The Taxpayer seeks to annul ZATCA's decision regarding the imposition of a late VAT registration fine, amounting to 10,000 SAR. Upon review, the Department found that the contested decision was based solely on assumption, without being supported by the necessary documents to prove its validity, rendering it unfounded. Accordingly, the Department accepts Plaintiff's case and annuls the imposed fine. Conclusion: Plaintiff's claim is accepted.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Decree No. \(26040\) dated 21/04/1441 AH](#)
- [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- Paragraphs (1) and (2) of Article (50) of the Common VAT Agreement for the Gulf Cooperation Council (GCC) States, November 2016, ratified by Royal Decree No. (M/51) dated 03/05/1438 AH.
- Paragraph (1) of Article (3) and Paragraph (2) of Article (56) of [the Implementing Regulations of the VAT Law, issued pursuant to the decision of the Board of Directors of the former General Authority of Zakat and Tax \(GAZT\), No. \(3839\), dated 14 Dhul-Hijjah 1438 AH, corresponding to November 14, 2016.](#)

Facts

The facts of this case can be summarized as follows: (...) Company, holding Commercial Registration No. (...), submitted a statement of claim through (...), holding National ID No. (...), in his capacity as the representative of the Plaintiff company, pursuant to Power of Attorney No. (...). The claim includes an objection to Defendant's decision to impose a late VAT registration fine amounting to 10,000 SAR, requesting the annulment of the fine. Having presented the statement of claim to Defendant, it responded as follows: First: In from: Paragraph (2) of Article (3) of the Rules for the Functioning of the Committees for the Resolution of Tax Violations and Disputes states that: "The Authority's decision becomes final and not subject to appeal before any other entity in the following cases: If the Taxpayer fails to file a grievance before the Committee for the Resolution of Tax



Violations and Disputes or does not request the referral of their objection to the Internal Committee for Settlement within thirty (30) days from the date of being notified of ZATCA's decision rejecting their objection..." Since ZATCA's automatic cancellation decision was issued on May 1, 2021, while the Plaintiff filed the case with the General Secretariat on June 17, 2021, the difference between the date of ZATCA's decision rejecting the objection and the date of filing the case exceeds 30 days. Accordingly, the contested decision is now final due to the expiration of the appeal period and is no longer subject to challenge. Second: On Merits: 1. Paragraph (1) of Article (50) of the Common VAT Agreement of the States of the Gulf Cooperation Council states that "The Mandatory Registration Threshold shall be SAR 375,000" Additionally, Paragraph (9) of Article (79) of the Implementing Regulations of the VAT Law provides that any person whose annual supplies exceed the mandatory registration threshold but do not exceed SAR 1 million shall be exempt from mandatory registration if this occurs before January 1, 2019. However, any application for such registration must be submitted that on or before 20 December 2018. Upon reviewing Plaintiff's records with ZATCA, it is evident that Plaintiff's first VAT registration was submitted on February 16, 2021. 2. In accordance with the principle of discretionary authority granted to the administrative body, which allows it to determine the approach for making decisions regarding the legal status of taxpayers, ZATCA has adopted, through its regulations, a principle of voluntary compliance for all processes, including registration, filing returns, correcting errors, and notifying ZATCA of any changes, etc. Nevertheless, ZATCA retains its discretionary power to review the Taxpayer's status when necessary, conduct audits, and verify the accuracy of the information submitted. Based on this, ZATCA has enabled each taxable person to complete the registration process voluntarily, with the choice of submitting supporting documents or not. Instead, ZATCA accepts a declaration of commitment, in which the Taxpayer confirms the accuracy of the submitted information. Accordingly, the Plaintiff voluntarily registered under these regulations, selected the relevant supply threshold for their establishment, and the fine was imposed based on the information they entered and acknowledged. Therefore, fines are only imposed in accordance with the Taxpayer's own submissions. 3. Based on the above, a late registration fine was imposed pursuant to Article (41) of the VAT Law, which states, "Any Person who has not applied for registration within the period specified in the Regulations shall be fined ten thousand (10,000) riyals". Defendant's representative concluded his memorandum by requesting the dismissal of the case on procedural grounds and the rejection of the claim. End of Reply. The Plaintiff responded with a defense memorandum, stating: In reference to the reply memorandum submitted by Zakat, Tax, and Customs Authority, we provide our response as follows: Upon the issuance of the automatic cancellation notice on 01/05/2021 regarding the previous objection submitted against the late VAT registration fine, we filed a new objection against this fine within the statutory period of 30 days, as prescribed by the regulations. This was done by submitting a case through the General Secretariat of Tax Committees' online platform, which was registered under Case No. 52297-2021-V on 28/05/2021 in the name of the company's legal representative (...). This was due to the technical issues encountered on the General Secretariat of Tax Committees' platform in importing the objection data related to the late registration fine. (Attached: Proof of case registration). Thus, we have fulfilled the procedural requirements by filing the case within the statutory deadline. Case Documentation Process: On 30/05/2021, we received a notification requesting the completion of the required documents, which included: The legal representative's ID, company's Articles of Incorporation, legal power of attorney (Attached: Notification for document completion). The deadline for submitting the required documents was 20/06/2021. On 14/06/2021, we submitted all the required documents (Attached: Proof of document



submission). On 17/06/2021, we were unexpectedly informed through the General Secretariat of Tax Committees' platform that Case No. 52297-2021-V had been closed due to an alleged failure to meet documentation requirements, despite having submitted all requested documents in full. Upon re-contacting the General Secretariat of Tax Committees' representatives regarding the case closure, we were informed that we needed to submit a new case since the previous one had been closed. On 17/06/2021 (the date of the previous case closure), we submitted a new case under Case No. 55105-2021-V, as per the request of the General Secretariat of Tax Committees to resubmit the case.

As demonstrated above, we escalated our objection against the late VAT registration fine before the General Secretariat of Tax Committees within the statutory 30-day period, in accordance with Article 3, Paragraph 2 of the Rules for the Functioning of the Committees for the Resolution of Tax Violations and Disputes.

Additionally, all procedures undertaken, including the initial objection, case escalation, previous case registration, and submission of all requested documents for case registration, are integral parts of the current case and cannot be disregarded due to an administrative oversight in reviewing the submitted documents, which led to the previous case's dismissal.

The company has fully complied with all legal and procedural requirements necessary for the acceptance of the escalation of the objection against the late registration fine imposed by ZATCA.

We formally request that all procedures undertaken in Case No. 52297-2021-V be consolidated with the current case, Case No. 55105-2021-V, which is currently under review. Substantive Grounds: We reaffirm the points previously mentioned in our escalation memorandum, which stated the following: 1. Since the company's establishment on 13/09/2020, it has not engaged in any business activities and has not generated any revenue, except for a single transaction on 24/02/2021 amounting to 22,296 SAR. (Attached: The company's bank statement for the twelve months preceding registration, previously submitted from Bank (...), showing transactions since the account was opened on 07/01/2021.) We also clarify that the company's revenues have never reached the mandatory VAT registration threshold of 375,000 SAR from the date of incorporation until the date of VAT registration. We had previously informed the General Authority of Zakat and Tax (GAZT) that the company was still in the establishment phase, had not commenced its operations, and did not have an accounting system in place as of that date. The company holds an insurance registration number (...) on the General Organization for Social Insurance (GOSI) portal. The company's account details on GOSI show that the account was created in December 2020 and also confirm that no employees have been registered under the company's insurance law. (Previously submitted: The company's GOSI account details.) Based on the above, it is evident that the company did not generate revenue nor engage in any business activities that would have required VAT registration, as it never reached the mandatory registration threshold. Therefore, we kindly request the cancellation of the late VAT registration fine, as the company was not liable for registration under the VAT law. End of Reply.

On Wednesday, February 16, 2022, the hearing was held remotely via virtual litigation procedures, as both parties wished to proceed with the case. The session was attended by (...), holding National ID No. (...), as the representative of the Plaintiff, pursuant to Power of Attorney No. (...), and by (...), holding National ID No. (...), as the representative of Zakat, Tax, and Customs Authority, pursuant to Authorization Letter No. (...) dated 08/03/1442 AH, issued by the Deputy Governor for Legal Affairs. When asked about the claim, Plaintiff's representative affirmed his position as stated in the statement of claim submitted to the General Secretariat of Tax Committees, and insisted on its contents. When Defendant's representative was asked for a response, he affirmed his position as stated in the reply memorandum and adhered to its contents. Having asked the parties to



the case if they had any other statements, they decided to suffice with their earlier submissions. Therefore, the Department ordered that the parties be temporarily dismissed from the virtual session for deliberation and delivery of its decision.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Decree No. (26040) dated 11/06/1441 AH, the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since the Plaintiff seeks, through her case, to annul Defendant's decision regarding the imposition of a late VAT registration fine, based on the VAT Law and its Implementing Regulations, and since this dispute falls under the category of tax disputes, it is within the jurisdiction of the Committee for the Resolution of Tax Violations and Disputes, in accordance with Royal Decree No. (M/113) dated 02/11/1438 AH. Given that the case was filed by an authorized party and within the legally prescribed period, the Department accepts the case procedurally.

On Merits: On merits of the case, upon reviewing the case documents and the responses of both parties after granting them sufficient time to present their arguments, it is clear that the dispute between the Plaintiff and the Defendant revolves around the imposition of the late registration fine. Article (50), Paragraph (1) of the Common Agreement for VAT of the Gulf Cooperation Council (GCC) states: "A taxable person shall be required to register for the purposes of implementing this Agreement if: A. They are a resident in any of the Member States. b. B. Their annual supplies in that Member State exceed or are expected to exceed the mandatory registration threshold." Paragraph (2) of the same article of the Common Agreement for VAT of the Gulf Cooperation Council (GCC) states: "The mandatory registration threshold is 375,000 SAR (or its equivalent in other GCC currencies). The Ministerial Committee may amend the registration threshold after three years of implementation." Additionally, Paragraph (1) of Article (3) of the Implementing Regulations of the VAT Law states: "Any person residing in the Kingdom who is not registered with the Authority must, at the end of each month, calculate the value of their supplies over the previous twelve months in accordance with the requirements stipulated in the Agreement. If this value exceeds the mandatory registration threshold set out in the Agreement, they must submit a registration application to ZATCA within thirty (30) days from the end of that month, in accordance with Article 8 of these Regulations." Furthermore, Paragraph (2) of Article (56) of the Implementing Regulations of the VAT Law states: "The Authority, in addition to other rights stipulated in this article, may have direct and continuous access to any information directly related to the tax, which is retained by a third party."

Upon reviewing the case documents and the responses of both parties, after granting them sufficient time to present their arguments, the Department established that the Defendant imposed a late VAT registration fine amounting to 10,000 SAR on the Plaintiff.

Upon further examination of case file and the statements provided, it became evident that the Defendant imposed the late registration fine without sufficient evidence. The allegation of late registration was merely a claim made by the Defendant, which it failed to



substantiate despite being given the opportunity to do so. Furthermore, the law grants the Defendant various means and powers to verify and prove violations if they exist. However, the Defendant failed to present any supporting evidence to justify the contested decision. As a result, the Department is convinced that the decision in dispute lacks a legal basis. It was issued solely based on assumption, without being supported by the necessary documents to establish its validity. Accordingly, the Department rules to annul the contested decision.

Based on the above grounds, and based on the Common VAT Agreement, VAT Law and its Implementing Regulations, and the Tax Dispute and Violation Committee Procedures, and after deliberation, the Department unanimously decided to:

Decision

Accepting Plaintiff's claim and annulling the Defendant's decision subject to the case. This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-404
Case No.: V-52736-2021

Key words:

Value Added Tax – Late Filing fine – Delay in Filing the Tax Return – Filing After an Official Holiday – Acceptance of the Claim and Annulment of the fine

Abstract

The Taxpayer seeks to annul ZATCA's decision regarding the imposition of a late tax return filing fine for the Q1 2021 tax period. ZATCA argues that since the Plaintiff did not submit the tax return within the statutory deadline, the fine was correctly imposed. However, upon review, the Department found that the tax return was submitted on the first working day following an official holiday. Consequently, the Department finds no violation on the part of the Plaintiff that would warrant a fine. Accordingly, the Department accepts the claim and annuls the imposed fine. Accordingly, this Department ruled to accept the case and cancel the fine.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 11/02/1438 AH](#)
- [The Common Agreement for Value Added Tax of the Gulf Cooperation Council \(GCC\), November 2016, ratified by Royal Decree No. \(M/51\) dated 03/05/1438 AH.](#)
- [Implementing Regulations of the Value Added Tax Law, issued by Resolution of the Board of Directors of the General Authority of Zakat and Income -formerly- No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH corresponding to 14 November 2016](#)

Facts

The facts of this case can be summarized as follows: (...), holding National ID No. (...), and the owner of (...) Office, with Commercial Registration No. (...), submitted a statement of claim objecting to Defendant's decision regarding the late tax return filing fine for the Q1 2021 tax period, requesting the annulment of the fine.

Having presented the statement of claim to Defendant, it responded as follows: First: In from: Article (41) of the Law of Civil Procedures states: "The case shall be filed by the Plaintiff through a statement of claim, signed by the Plaintiff or their representative, and submitted to the Department in an original copy along with copies equal to the number of Defendants. The statement of claim must include the following details: e. The subject of the case, Plaintiff's demands, and the supporting evidence." Based on the above, the case



does not meet the statutory requirements. Second: On Merits: Paragraph (1) of Article (62) of the Implementing Regulations of the VAT Law states: "A taxable person, or their representative, must submit their tax return to the Authority no later than the last day of the month following the end of the tax period to which the tax return relates..." Additionally, Paragraph (3) of Article (42) of the VAT Law states: "Any person who fails to submit the tax return within the period specified by the regulations shall be subject to a fine of no less than 5% and no more than 25% of the tax amount that should have been reported." Since the deadline for the Plaintiff to submit their tax return for the relevant tax period was April 30, 2021, and the Plaintiff failed to comply with the statutory deadline, ZATCA upholds the validity of its decision to impose the fine. Defendant's representative concluded his memorandum by requesting the dismissal of the case on procedural grounds and the rejection of the claim. End of Reply.

On Wednesday, February 16, 2022, the hearing was held remotely via virtual litigation procedures, as both parties wished to proceed with the case. The session was attended by the Plaintiff (...), representing himself/herself, with National ID No. (...), and by Defendant's representative (...), with National ID No. (...), acting as a representative of Zakat, Tax, and Customs Authority, pursuant to Authorization Letter No. (...) dated (...), issued by the Deputy Governor for Legal Affairs. When asked about the claim, the Plaintiff affirmed his/her position as stated in the statement of claim submitted to the General Secretariat of Tax Committees and insisted on its contents. When Defendant's representative was asked for a response, he affirmed his position as stated in the reply memorandum and adhered to its contents. Having asked the parties to the case if they had any other statements, they decided to suffice with their earlier submissions. Therefore, the Department ordered that the parties be temporarily dismissed from the virtual session for deliberation and delivery of its decision.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Decree No. (26040) dated 11/06/1441 AH, the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since the Plaintiff seeks, through her case, to annul Defendant's decision regarding the late tax return filing fine for the Q1 2021 tax period, based on the VAT Law and its Implementing Regulations, and since this dispute falls under the category of tax disputes, it is within the jurisdiction of the Committee for the Resolution of VAT Violations and Disputes, pursuant to Royal Order No. (26040) dated 21/04/1441 AH. Given that the case was filed by an authorized party and within the legally prescribed period, the Department accepts the case procedurally.

On Merits: Upon reviewing the case documents and the responses of both parties, after granting them sufficient time to present their arguments, the Department established that the tax return was submitted on the first working day following the official holiday. Thus, the Department finds no violation on the part of the Plaintiff that would warrant a fine, which necessitates ruling to annul the contested fine and consider it as if it had never been imposed.



In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

Accepting the Plaintiff's claim and annulling the fine subject to the case. This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-435
Case No.: V-67931-2021

Key words:

Value Added Tax – Field Violation fine – Non-Compliance with Tax Invoice Requirements – Overcollection of Tax – Annulment of Defendant's Decision – Acceptance of Plaintiff's case

Abstract

The Taxpayer seeks to annul ZATCA's decision regarding the field violation fine amounting to 10,000 SAR. The objection is based on the fact that the Taxpayer collected a higher tax amount than what was due. During an on-site inspection, ZATCA's representatives examined the simplified invoices issued by the Taxpayer. Upon review, the Department found that there was a significant delay of approximately two years between the date of the violation detection and the issuance of the fine decision. Such a long delay suggests either ZATCA's lack of conviction in imposing the fine at the time or its negligence in issuing it promptly. The purpose of imposing a fine is to immediately notify the violator of their non-compliance or negligence. When this objective is not met, the fine becomes unjustified. As a result, the Department accepts the case and annuls the contested decision.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- Article (2), Paragraph (3) of Article (45) of [the Value Added Tax \(VAT\) Law, issued by Royal Decree No. \(M/113\) dated 2/11/1438 AH.](#)
- Paragraph (1), Article (25) of [the Common VAT Agreement of the States of the Gulf Cooperation Council \(GCC\) issued by Royal Decree No. \(M/51\) dated 03/05/1438 AH](#)
- [Implementing Regulations of the Value Added Tax Law, issued by Resolution of the Board of Directors of the General Authority of Zakat and Income -formerly- No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH corresponding to 14 November 2016](#)

Facts

The facts of this case can be summarized as follows: (...), holding National ID No. (...), as the owner of (...) Establishment, with Commercial Registration No. (...), submitted a statement of claim objecting to Defendant's decision to impose a field violation fine for non-compliance with tax invoice requirements, amounting to 10,000 SAR. The fine was

imposed due to the collection of a higher tax amount than what was due. The Plaintiff requests the annulment of the fine.

The Defendant responded with a memorandum of reply, stating the following: First: On Merits: On 09/40/2018, representatives of ZATCA conducted an on-site inspection at Plaintiff's premises and examined the simplified invoices issued by the Plaintiff during a field campaign to ensure proper implementation of the VAT Law and its Implementing Regulations. Upon inspection, it was found that the invoices were in violation of the provisions stated in Paragraph (2) of Article (2) of the VAT Law, which states: "2- VAT shall be applied at a standard rate of 5% on the value of the supply or import, unless an exemption or a zero rate is provided—based on the provisions of the Law or its Regulations—for the same supply." Additionally, the invoices failed to comply with the simplified invoice requirements outlined in Paragraph (e/8) of Article (53) of the Implementing Regulations of the VAT Law, which states: "A simplified tax invoice must include the following details.... E) "The VAT amount due or a statement indicating that the total amount includes VAT concerning the supply of goods or services." The tax invoices issued by the Plaintiff contained tax amounts at a rate higher than the statutory rate.

2- After verifying Plaintiff's violation of the provisions of the VAT Law and its Implementing Regulations, as stated above, ZATCA imposed a fine pursuant to Decision No. (...), amounting to 10,000 SAR, based on Paragraph (3) of Article (45) of the VAT Law, which states: "A fine not exceeding 50,000 SAR shall be imposed on any person who: ..." 3. violates any other provision of the Law or the Regulations". Defendant representative concluded his Reply requesting that the case be dismissed. End of Reply.

On Monday, 28/02/2022, the hearing was held remotely in accordance with virtual litigation procedures. The Defendant was present, while the Plaintiff did not attend despite being duly notified of the session's date and format. Defendant's representative, (...), holder of National ID No., in his capacity as ZATCA's Representative by Authorization Letter No. (...), dated (.....) issued by Deput Governor for Legal Affairs. Given the Plaintiff's absence, the Defendant requested to proceed with the case and issue a decision. Therefore, the Department decided to adjourn the session for deliberation and issue a decision.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Decree No. (26040) dated 11/06/1441 AH. the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since the Plaintiff seeks, through his case, to annul Defendant's decision regarding the imposition of a field violation fine, which resulted from non-compliance with tax invoice requirements, based on the VAT Law and its Implementing Regulations, and since this dispute falls under the category of tax disputes, it is within the jurisdiction of the Committee for the Resolution of Tax Violations and Disputes, pursuant to Royal Order No. (26040) dated 21/04/1441 AH. Given that the case was filed by an authorized party and within the legally prescribed period, the Department accepts the case procedurally.

On Merits: Upon reviewing the case documents and the responses of both parties, after granting them sufficient time to present their arguments, it is evident that the dispute



revolves around the imposition of a fine for violating the provisions of the VAT Law and its Implementing Regulations. Paragraph (1) of Article (25) of the Common VAT Agreement of the Gulf Cooperation Council (GCC) States: "VAT shall be applied at a standard rate of 5% on the value of the supply or import, unless an exemption or a zero rate is provided for the same supply in this Agreement." Additionally, Article (2) of the VAT Law states: "VAT shall be imposed on the import and supply of goods and services, in accordance with the provisions stipulated in the Agreement, the Law, and the Regulations." Furthermore, Paragraph (3) of Article (45) of the VAT Law states: "A fine not exceeding fifty thousand (50,000) SAR shall be imposed on anyone who: 3. violates any other provision of the Law or the Regulations".

Upon reviewing the date of the violation detection, it was found to be 09/04/2018, whereas the fine decision was not issued until approximately two years later. The significant time gap between the date of detection and the issuance of the fine suggests either ZATCA's lack of conviction in imposing the fine at the time or its delay in issuing it. Since the purpose of imposing a fine is to immediately notify the violator of their misconduct or negligence, the delay in its issuance deviates from this intended objective. Furthermore, such a delay prevents the Taxpayer from presenting their evidence in a timely manner, thereby undermining their right to a fair defense. As a result, ZATCA's decision is not worthy of endorsement, and it is necessary to rule in favor of the Plaintiff, accept the case, annul the contested decision, and nullify its consequences.

For these reasons, and after deliberation in accordance with the law, the Department unanimously decides as follows:

Decision

To accept the Plaintiff case and cancel the Defendant's decision subject of the case. This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-437
Case No.: V-67076-2021

Key words:

Value Added Tax – VAT Payment – Property Supply – Mortgage Financing – Banks –
Burden of Proof Lies with the Plaintiff – Dismissal of the Claim

Abstract

The Plaintiff seeks to compel the Defendant to refund the VAT payment, amounting to 22,000 SAR, which resulted from the sale of a property valued at 440,000 SAR.

The Plaintiff's objection is based on the assertion that the advertised property price did not include VAT and that the Plaintiff was not the taxable person, which contradicts the principle that he was not subject to VAT at the time of sale. Upon review, the Department established that the payment of VAT falls on the buyer, whereas the obligation to remit it to ZATCA lies with the seller. The default assumption is that the sale price includes the VAT amount, as stipulated in the Unified VAT Agreement. Since the presumption of discharge from liability applies, the burden of proof lies with the Plaintiff, not the Defendant. Furthermore, the Plaintiff failed to provide any evidence to support his claim, nor did he prove that he was registered for VAT or that he had issued a tax invoice at the time of sale. Conclusion: The case is dismissed.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 11/02/1438 AH](#)
- Article (1) and Paragraph (2) of Article (25) of the Common VAT Agreement for the Gulf Cooperation Council (GCC) States, November 2016. ratified by Royal Decree No. (M/51) dated 03/05/1438 AH.
- Article (14) of [the Implementing Regulations of Value Added Tax Law issued by resolution of the Board of Directors of ZATCA No. \(3839\) dated 14 Dhul-Hijjah 1438 AH \(corresponding to November 14, 2016\).](#)

Facts



The facts of this case can be summarized as follows: (...), holding National ID No. (...), filed a statement of claim against (the Bank), holding Commercial Registration No. (...), seeking to compel the Defendant to refund the VAT payment amounting to 22,000 SAR, which resulted from the sale of a property valued at 440,000 SAR, carried out by the Defendant.

Upon presenting the statement of case to the Defendant, they responded with a memorandum of reply stating: In form: There is no tax relationship between the Bank (...) and the Plaintiff whatsoever, as no tax invoice was issued at the time of sale, and the sale was conducted in favor of (...). On merits: First: The Plaintiff alleges that the advertised price did not include VAT, which contradicts the principle of original innocence, the Unified GCC Agreement, and the VAT Law and Regulations. Based on the principle of original innocence, Article (1) states: Article (25/2) of the same Agreement states that the advertised price includes VAT: Since Plaintiff's case contradicts established legal principles and the applicable regulations, and given that the Plaintiff was not a taxable person at the time, his claim is unfounded. Furthermore, the burden of proof lies with the Plaintiff, yet he has submitted evidence that contradicts his own claim. Specifically, the Plaintiff attached a VAT registration certificate for (...) Restaurant, dated (...), to his statement of claim. Therefore, based on the present circumstances, it is evident that the Plaintiff was not subject to VAT at the time of sale, which necessitates that the bank issue a VAT invoice in accordance with Article (53/9) of the Implementing Regulations of the VAT Law.

Second: The bank issued a VAT invoice on (...) for an amount of 22,000 SAR, which was duly paid in accordance with Article (53/9) of the Implementing Regulations. Since the bank is subject to VAT, this is in line with Article (2) of the Implementing Regulations of the VAT Law, which states: "For the purposes of applying the Law and these Regulations, a taxable person in the Kingdom of Saudi Arabia is a person who independently engages in an economic activity with the intention of generating income and who is registered for VAT purposes in the Kingdom or is considered liable for VAT registration in accordance with the Law and the Regulations." Additionally, Article (14) of the same Regulations states: "VAT shall be imposed on all taxable supplies of goods and services made by any taxable person in the Kingdom in the course of their economic activity." Since the bank is subject to VAT under Article (2) and is liable for VAT under Article (14), the Regulations mandate that every taxable person issue a tax invoice in accordance with Article (53/9), which provides: "1- Every taxable person must issue a tax invoice in any of the following cases: Paragraph (9) further stipulates: "Without prejudice to the provisions of this Article, every taxable person, in any case where the previous paragraphs of this Article do not apply, must issue a tax invoice containing the details specified in Paragraph (8) of this Article. If a taxable person issues an invoice, they must settle the VAT amount with ZATCA, in accordance with Article (40) of the Agreement." Based on the legal provisions above, it is established that the bank's issuance of the VAT invoice was legally correct and in compliance with the VAT Law under Articles (2), (14), and (53/9) of the Implementing Regulations, as well as Article (40) of the VAT Agreement. As such, the bank's action was mandatory under the law, and no one may challenge it under any circumstances. Given that the Plaintiff had no tax status and was not a taxable person at the time of the sale, the bank fulfilled its legal obligations, and therefore, the Plaintiff has no grounds to file a claim against the bank. Instead, he should seek recourse against the party that collected the tax from him. The Plaintiff was not subject to VAT, and his case contradicts Article (25/2) of the VAT Agreement, as well as the fundamental legal principle that whoever claims an exception to the established rule bears the burden of proof. Since the law is intended to be applied as written, it does not allow the Plaintiff to seek recourse against the bank, as the bank acted in full compliance with the law and the regulations. Furthermore, had the bank failed to comply, it would have been subject to fines under the law. For all the above



reasons, (...) bank requests the following: First: In form: Dismiss the case for being filed by a person without capacity. Second: On merits: Dismissal of the claim for lack of legal or regulatory basis. End of Answer.

On Monday, February 28, 2022, the hearing was held remotely via virtual litigation procedures. Upon calling the parties, (...), holder of National ID No., attended as the representative of the Defendant pursuant to Power of Attorney No. (...). The Plaintiff or their representative did not appear. When asked for a response, the Defendant affirmed their position as stated in the reply memorandum. the Department decided to temporarily clear the virtual courtroom for deliberation and issuance of the decision.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Decree No. (26040) dated 11/06/1441 AH. the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In form, since the Plaintiff seeks, through his case, to compel the Defendant to refund the VAT payment, amounting to 22,000 SAR, based on the VAT Law and its Implementing Regulations, and since this dispute falls under the category of tax disputes, it is within the jurisdiction of the Committee for the Resolution of Tax Violations and Disputes, pursuant to Royal Order No. (26040) dated 21/04/1441 AH. Given that the case was filed by an authorized party and within the legally prescribed period, the Department accepts the case procedurally.

On merits, upon reviewing the case documents and the responses of both parties, after granting them sufficient time to present their arguments, it is evident that the dispute between the Plaintiff and the Defendant revolves around the Plaintiff's demand that the Defendant refund the VAT amount of 22,000 SAR, which resulted from the sale of a property by the Defendant for a total amount of 440,000 SAR. Article (25) of the Unified VAT Agreement of the Gulf Cooperation Council (GCC) States: "1- VAT shall be applied at a standard rate of 5% on the value of the supply or import, unless an exemption or a zero rate is provided for the same supply in this Agreement." Additionally, Article (14) of the Implementing Regulations of the VAT Law, which pertains to taxable supplies in the Kingdom, states: "Without prejudice to Article two of the Law, for the purposes of applying the Agreement and the Law in the Kingdom, the Tax is imposed on all Taxable Supplies of Goods and Services made by a Taxable Person in the Kingdom in the course of carrying on their Economic Activity or those received by a Taxable Person in the Kingdom in the course of carrying on their Economic Activity where the Reverse Charge Mechanism applies, as well as on the Import of Goods into the Kingdom."

After reviewing the entire case file and the submitted arguments, it is evident that the dispute revolves around Plaintiff's demand that the Defendant pay the VAT amount of 22,000 SAR for the supply of a property to the Defendant for a value of 440,000 SAR, which was then sold to Defendant's customer, a citizen (...), through mortgage financing,



as recorded in Deed No. (...) dated (...). There is no dispute that the obligation to pay the VAT amount falls on the buyer, while the responsibility to remit it to ZATCA lies with the seller. Furthermore, the default principle is that the sale price includes the VAT amount, as stipulated in the Unified VAT Agreement of the Gulf Cooperation Council (GCC) States. The definition of the term "Consideration" in Article (1) of the Agreement states: "Any amount received or to be received by the taxable supplier from the customer or a third party for the supply of goods or services, including VAT." Additionally, Paragraph (2) of Article (25) of the same Agreement states: "... "The advertised price in the local market for goods and services must include VAT." Since no legal provision exempts real estate from this rule, and based on the principle that "Muslims are bound by their conditions, except for a condition that prohibits what is lawful or permits what is unlawful," the fundamental elements of a valid sale, offer, acceptance, contracting parties, and the subject matter (the sold item and the price), must all be present for the contract to be valid. Since the price has been determined as stated above, any additional burden imposed on the buyer without legal basis undermines their contractual will and places an unjustified financial liability upon them. Moreover, this would inevitably lead to financial instability in all sales transactions, as it would allow any seller to later claim that the advertised price did not include VAT and attempt to recover it from the buyer after the sale has been concluded. This is precisely what Article (1) of the VAT Agreement and Paragraph (2) of Article (25) of the same Agreement sought to prevent and clarify. Since the advertised sale price is presumed to include VAT, the burden of proof falls on the party claiming otherwise, in this case, the Plaintiff (seller), who must prove that the sale price did not include VAT. Additionally, since the default legal principle is the presumption of discharge from liability, the burden of proof lies with the Plaintiff (seller), not the Defendant (buyer). Upon reviewing the case documents, it is evident that the Plaintiff failed to provide any evidence supporting his claim or proving that he was registered for VAT and had issued a tax invoice at the time of sale. Accordingly, the claim lacks legal merit and must be dismissed, which is the conclusion reached by the Department.

In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

Dismissal of Plaintiff's case.

This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-438
Case No.: V-52997-2021

Key words:

Value Added Tax – Final Reassessment – fine for Filing Errors – Late Payment fine –
Endorsement of ZATCA's Actions – Dismissal of Plaintiff's case

Abstract

The Taxpayer seeks to annul ZATCA's decision regarding the final reassessment for the Q1 2020 tax period and the fines resulting from the reassessment, as well as for the Q3 2020 tax period. Upon review, the Department found that the Plaintiff did not dispute the sales component but instead focused the dispute on the purchases component. However, the Plaintiff failed to present any compelling arguments or evidence that warranted discussion in response to Defendant's submission. This implies acceptance of the validity of the reassessment, rendering the claim baseless and lacking supporting evidence. Accordingly, the Department dismisses Plaintiff's case.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 11/02/1438 AH](#)
- [Common VAT Agreement of GCC States, November 2016](#). Certified by Royal Decree No. (M/51), dated 03/05/1438 AH.
- [The Implementing Regulations of the Value Added Tax Law issued by the decision of the Board of Directors of the \(former\) General Authority of Zakat and Income - No. \(3839\) of 14/12/1438 AH corresponding to 14/11/2016 AD](#)

Facts

The facts of this case can be summarized as follows: (...), holding National ID No. (...), acting on his own behalf, submitted a statement of claim objecting to Defendant's decisions regarding the final reassessment for the Q1 2020 tax period and the fines resulting from the reassessment, as well as for the Q3 2020 tax period. The Plaintiff requests the annulment of Defendant's decisions and the imposed fines.

Having presented the statement of claim to Defendant, it responded as follows: First: On merits, first: The default assumption in decisions is correctness and compliance with health and safety regulations. Anyone claiming otherwise bears the burden of proof. Secondly, in exercising its statutory right to verify the accuracy of declarations, as stipulated in Article (50) of the Value Added Tax (VAT) Law:



"Taking into account the provisions of Article (28) of the Law, ZATCA is responsible for managing, auditing, assessing, and collecting the tax, and it may take any necessary measures in this regard." Furthermore, according to paragraph (1) of Article (26) of the VAT Law: "1- The Authority may conduct a tax assessment for the taxable person regardless of the tax return submitted by them." Additionally, as per Article (64) of the Implementing Regulations of the VAT Law: "1 - The Authority may issue an assessment of a taxable person's VAT obligations for one or more tax periods, and ZATCA must notify them of such an assessment upon issuance." Based on the above, ZATCA has reassessed the tax period in question.

Regarding Amendment of the Sales Item: In accordance with paragraph (2) of Article (56) of the Implementing Regulations of the Value Added Tax (VAT) Law, which states: "In addition to other rights stipulated in this Article, ZATCA may have direct and continuous access to any information directly related to the tax, which is retained by a third party." Based on data from the Ministry of Justice, ZATCA has identified real estate sales amounting to SAR 2,105,000.00, exceeding the amount declared by the Plaintiff by SAR 50,000. This amount is subject to VAT at the standard rate, in accordance with Article (14) of the Implementing Regulations of the VAT Law, which states: "Without prejudice to the provisions of Article (2) of the Law, and for the purposes of applying the Agreement and the Law in the Kingdom, tax shall be imposed on all taxable supplies of goods and services made by any taxable person within the Kingdom in the course of carrying out economic activity." “.

Regarding the Reduction of Purchase Value: The Plaintiff declared taxable purchases at the standard rate amounting to SAR 1,492,300.00. Upon ZATCA's request for supporting documents and invoices to verify the accuracy of the reported amounts, based on Article (66/6) of the Implementing Regulations of the Value Added Tax (VAT) Law, which states: "ZATCA may request additional records from the taxable person at any time for the purposes of registration, audit, and assessment procedures in cases where ZATCA deems it necessary and has justified reasons for such a request." The Plaintiff provided ZATCA with a purchase statement amounting to SAR 519,511.07, which was approved. The remaining amount was excluded due to Plaintiff's failure to provide supporting documents proving the right to deduct VAT, in accordance with Article (48) of the Unified Agreement for VAT of the Gulf Cooperation Council (GCC) and Article (49) of the Implementing Regulations of the VAT Law.

Regarding the Imposition of a fine for an Incorrect Tax Return: The fine was imposed after ZATCA determined the inaccuracy of the return, as indicated in the final assessment notice. This decision was based on paragraph (1) of Article (42) of the VAT Law, which states: "Any Person who files an incorrect Tax Return to the Authority, amends a Tax Return after filing or files any document with the Authority in relation to the Tax due by him which results in an error in the calculation of the Tax amount resulting in an amount that is less than the Tax due shall be liable to a fine equal to (5%) of the value of the difference between the calculated Tax and the Tax due."

Regarding late payment fine: After reviewing Plaintiff's tax return for the disputed period, ZATCA determined that it was inaccurate. Consequently, the tax return was amended, and a final assessment notice was issued. This resulted in a discrepancy in the amount of tax due, which was not paid within the statutory deadline. Accordingly, a late payment fine was imposed for the months following the disputed tax period, as previously explained. This was done in accordance with Article (43) of the Value Added Tax (VAT) Law, which states that: "Whoever does not pay the tax due within the period specified by the Regulations shall be fined an amount equaling (5%) of the value of unpaid tax, for each month or fraction of month for which the tax was not paid."



Regarding the Plaintiff's Allegation of ZATCA's Audit and Assessment of Q3 2020: ZATCA confirms that no decision has been made regarding the tax return for the relevant period. Defendant representative concluded his Reply requesting that the case be dismissed. End of Reply.

On Monday, 28/02/2022, the hearing was held remotely in accordance with virtual litigation procedures. The Defendant was present, while the Plaintiff did not attend despite being duly notified of the session's date and format. Defendant's representative, (...), holder of National ID No., in his capacity as ZATCA's Representative by Authorization Letter No. (...), dated (.....) issued by Deput Governor for Legal Affairs. Given the Plaintiff's absence, the Defendant requested to proceed with the case and issue a decision. Therefore, the Department decided to adjourn the session for deliberation and delivering of its decision.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Decree No. (26040) dated 11/06/1441 AH. the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since the Plaintiff aims, through their case, to annul Defendant's decision regarding the final reassessment of the tax period for Q1 2020, along with the fines resulting from the reassessment, as well as the tax period for Q3 2020, based on the Value Added Tax (VAT) Law and its Implementing Regulations, and given that this dispute falls under tax-related disputes, it is within the jurisdiction of the Tax Violations and Disputes Resolution Committee, in accordance with Royal Decree No. (M/113) dated 2/11/1438 AH. Since the claim was filed by a party with legal standing and within the legally prescribed time frame, the Department must accept the case in form.

On Merits: Upon reviewing the case documents and considering the responses of both parties after granting them sufficient time to present their arguments, the Department found that the Plaintiff did not dispute the sales item but rather focused their objection on the purchases item. However, they failed to provide any substantial evidence or arguments that warrant discussion in response to Defendant's submission. This implies implicit acknowledgment of the correctness of Defendant's position, rendering Plaintiff's argument as a mere unsubstantiated allegation lacking supporting evidence.

In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

To dismiss Plaintiff case.

This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.



May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-440
Case No.: V-66270-2021

Key words:

Value Added Tax – Reassessment – Late VAT Registration – Exceeding the Mandatory Registration Threshold – Annulment of Defendant's Decision – Acceptance of Plaintiff's case

Abstract

The Taxpayer is requesting the annulment of ZATCA's decision to impose a late VAT registration fine amounting to SAR 10,000. The Department found that the Defendant (ZATCA) registered the Plaintiff based on information obtained from a third party (the Saudi Central Bank) without providing evidence of Plaintiff's sales volume that led to reaching the mandatory registration threshold, nor specifying the date on which the threshold was exceeded. As a result, it was not established that the Plaintiff was late in registering for VAT, and there was no valid basis for imposing the fine, which depends on determining when the mandatory registration threshold was reached. Conclusion: Plaintiff's claim is accepted.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 11/02/1438 AH](#)
- Paragraphs (1) and (2) of Article (50) of [the Unified Agreement for Value Added Tax \(VAT\) of the Gulf Cooperation Council \(GCC\), November 2016, ratified by Royal Decree No. \(M/51\) dated 03/05/1438 AH.](#)
- Article (3) and Paragraph (2) of Article (56) of [the Implementing Regulations of the VAT Law, issued pursuant to the decision of the Board of Directors of the General Authority of Zakat and Tax \(formerly\) No. \(3839\) dated 14 Dhul-Hijjah 1438 AH \(corresponding to 14 November 2016\).](#)

Facts

The facts of this case can be summarized as follows: (...), Commercial Registration No. (...), and (...) Establishment, Commercial Registration No. (...), filed a statement of claim

objecting to Defendant's decision to impose a late VAT registration fine amounting to SAR 10,000, requesting the annulment of the fine.

Having presented the statement of claim to Defendant, it responded as follows: First: On Merits:

- 1- Paragraph (2) of Article (50) of the Common VAT Agreement of the States of the Gulf Cooperation Council states that "The Mandatory Registration Threshold shall be SAR 375,000" Article (3) of the Implementing Regulations of the VAT Law states, "For registration purposes, every Resident Person in the Kingdom who is not registered by GAZT must at the end of each month calculate the value of his Supplies made in the Kingdom within the twelve months then ended, in accordance with the requirements set out in the Agreement. In cases where this value exceeds the Mandatory Registration Threshold detailed in the Agreement, the Person must apply to GAZT to register within thirty (30) days of the end of that month pursuant to Article eight of these Regulations".
- 2- Furthermore, Article (6) of the Implementing Regulations of the VAT Law states that: "If any person required to register fails to submit a registration request to ZATCA as per these Regulations, ZATCA may register them without requiring a formal request. The registration shall become effective as per the date specified in Articles (3) and (4) of these Regulations." Upon reviewing the Plaintiff's data from third-party sources (the Saudi Central Bank), it was found that their supplies exceeded the mandatory registration threshold.
- 3- Based on the above, a late registration fine was imposed on the Plaintiff, in accordance with Article (41) of the VAT Law, which states: "Anyone who fails to submit a registration request within the specified period shall be subject to a fine of SAR 10,000." Defendant representative concluded his Reply requesting that the case be dismissed. End of Reply.

On Sunday, 27/02/2022, the session was held remotely via virtual litigation procedures. The Defendant attended, while the Plaintiff did not appear despite being notified of the session's date and mode of conduct. Defendant's representative, (...), National ID No. (...), attended as a representative of Zakat, Tax, and Customs Authority, based on authorization letter No. (...) dated (...), issued by the Deputy Governor for Legal Affairs. When confronted with this, the representative requested to proceed with the case and issue a decision. Therefore, the Department decided to adjourn the session for deliberation and issue a decision.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Decree No. (26040) dated 11/06/1441 AH. the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since the Plaintiff seeks, through this case, to annul Defendant's decision to impose a late VAT registration fine, based on the Value Added Tax (VAT) Law and its Implementing Regulations, and considering that this dispute falls within tax-related disputes, it is classified as a case within the jurisdiction of the Tax Violations and Disputes Resolution Committee, in accordance with Royal Order No. (26040) dated 21/04/1441



AH. As the case was filed by a party with legal standing and within the legally prescribed timeframe, the Department must accept the case in form.

On Merits: Upon reviewing the case documents and considering the responses of both parties after granting them sufficient time to present their arguments, it is evident that the dispute between the Plaintiff and the Defendant revolves around the imposition of a late VAT registration fine. Paragraph (1) of Article (50) of the Common Agreement for Value Added Tax (VAT) of the Gulf Cooperation Council (GCC) states: "A taxable person shall be required to register for the purposes of implementing this Agreement if: A. They are a resident in any of the Member States. b. B. Exceed or are expected to exceed the annual supply threshold for mandatory registration in that Member State." Additionally, Paragraph (2) of Article (50) of the Common Agreement for VAT of the GCC states: "The mandatory registration threshold is 375,000 Saudi Riyals (or its equivalent in other GCC currencies). The Ministerial Committee may amend the registration threshold after three years of implementation." Additionally, Paragraph (2) of Article (56) of the Implementing Regulations of the VAT Law states: "The Authority, in addition to other rights stipulated in this article, may have direct and continuous access to any information directly related to the tax, which is retained by a third party."

After reviewing the complete case file and the presented defenses, it is evident that the Plaintiff is requesting the cancellation of the late registration fine amounting to (10,000) riyals. It has been found that the Defendant registered the Plaintiff based on information from a third party (the Saudi Central Bank) without providing evidence of Plaintiff's sales volume that reached the mandatory registration threshold or the date on which this threshold was met, thereby rendering the Plaintiff late in registering for Value Added Tax (VAT), in accordance with Paragraph (1) of Article (3) of the Implementing Regulations of the VAT Law. Consequently, there is no clear basis for imposing the fine, which is contingent upon reaching the mandatory registration threshold and determining the date of such registration. Accordingly, the Department has decided to annul Defendant's decision.

In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

To accept the Plaintiff case and cancel the Defendant's decision subject of the case. This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-441
Case No.: V-47054-2021

Key words:

Value Added Tax – Final Assessment Notice – fine for Error in Tax Return – Taxable Purchases at the Standard Rate – Annulment of Defendant's Decision

Abstract

The Taxpayer requests the annulment of ZATCA's decision to impose a fine for an error in the tax return for the fourth quarter of 2020, specifically regarding the item "taxable purchases at the standard rate." The Department found that the Plaintiff did not conceal any data or information but rather submitted all invoices in full. Upon reassessment, ZATCA classified the purchases as refundable rather than deductible, confirming that the matter resulted purely from a technical interpretation rather than an actionable violation warranting a fine. Conclusion: Plaintiff's claim is accepted, and the fine for the error in the tax return is annulled.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 11/02/1438 AH](#)
- [Implementing Regulations of the Value Added Tax Law, issued by Resolution of the Board of Directors of the General Authority of Zakat and Income -formerly- No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH corresponding to 14 November 2016](#)
- [The Common Agreement for Value Added Tax of the Gulf Cooperation Council \(GCC\), November 2016](#), ratified by Royal Decree No. (M/51) dated 03/05/1438 AH.

Facts

The facts of this case can be summarized as follows: (...) holding National ID No. (...), the owner of (...) Establishment, with Commercial Registration No. (...), submitted a statement of claim objecting to Defendant's decision to impose a fine for an error in the tax return for the fourth quarter of 2020. The Plaintiff requests the annulment of the imposed fine. Having presented the statement of claim to Defendant, it responded as follows: First: In from: Whereas Article (49) of Value Added Tax Law stipulates: "Any person against whom a fine decision is issued may appeal such decision as per Tax Dispute and Violation Committee Procedures" Article (3) of the Rules for the Functioning of the Committees for the Resolution of Tax Violations and Disputes states that: "The Authority's decision becomes final and not subject to appeal before any other entity in the following cases:" 1. If a Taxpayer does not object to the decision within 60 days from the date of notification



thereof. And since the ZATCA decision is issued on 04/03/2020 AD and Plaintiff did not appeal before ZATCA within the period specified under the Law and referred to above, the ZATCA decision has become final and not disputed before any other agency. Defendant's representative concluded their memorandum by requesting the dismissal of the case on procedural grounds. End of Reply.

On Tuesday, 01/02/2022 AD, a session was held in accordance with Procedures for Remote Litigation. Both parties wished to proceed with the case. The Plaintiff appeared on behalf of himself, under National ID No. (...), and the representative of the Defendant (...) holder of National ID No., in his capacity as ZATCA's Representative by Authorization Letter No. (...), dated (.....) issued by Deputy Governor for Legal Affairs. Having asked Plaintiff about his case, he responded that he admits what is mentioned in his statement of claim submitted to General Secretariat of Zakat, Tax and Customs Committees and confirms all facts contained therein. Having asked Defendant's representative about his reply to Plaintiff claims, he maintained his answers contained in his reply deposited in case file. Since the Defendant did not submit its response until the hearing session, the Department decided to grant the Plaintiff an opportunity to review and respond to it, postponing the session to March 1, 2022, at 12:00 PM.

The Defendant submitted a reply memorandum, which stated: On Merits: Regarding the Amendment of the Taxable Purchases at the Standard Rate: ZATCA exercised its legal right to verify the accuracy of tax returns, as stipulated in Article (50) of the VAT Law, which states: "Taking into account the provisions of Article (28) of the Law, ZATCA is responsible for managing, auditing, assessing, and collecting the tax, and it may take any measures it deems necessary to achieve this purpose." Furthermore, according to paragraph (1) of Article (26) of the VAT Law: "1- The Authority may conduct a tax assessment for the taxable person regardless of the tax return submitted by them." Additionally, as per Article (64) of the Implementing Regulations of the VAT Law: "1 - The Authority may issue an assessment of a taxable person's VAT obligations for one or more tax periods, and ZATCA must notify them of such an assessment upon issuance." Based on the above, ZATCA has reassessed the tax period in question. The Plaintiff submitted invoices that fall outside the scope of Value Added Tax, as the Plaintiff's activity has been subject to Real Estate Transaction Tax since the effective date of the Real Estate Transactions Regulations, as specified in Article (15) of the Real Estate Transactions Regulations.

Regarding the Imposition of a fine for an Incorrect Tax Return: The fine was imposed after ZATCA determined the inaccuracy of the return, as indicated in the final assessment notice. This decision was based on paragraph (1) of Article (42) of the VAT Law, which states: "Any Person who files an incorrect Tax Return to the Authority, amends a Tax Return after filing or files any document with the Authority in relation to the Tax due by him which results in an error in the calculation of the Tax amount resulting in an amount that is less than the Tax due shall be liable to a fine equal to (5%) of the value of the difference between the calculated Tax and the Tax due. Defendant representative concluded his Reply requesting that the case be dismissed. End of Reply.

The Plaintiff responded with a reply memorandum stating: "In response to the Zakat Authority's claim that I did not file an objection, this is incorrect. I submitted an electronic objection (attached in PDF format). Additionally, I also filed an objection in person when I visited the Zakat and Tax Authority branch in Dammam. The branch manager told me, 'Just pay your sales tax for the same period and follow up with the employee who instructed you to file the return until the matter is resolved.' Indeed, I paid my sales tax for the same period without delay (proof of payment is attached). However, after the specialists reviewed and approved my invoices, my request for a credit transfer was rejected, and the



matter suddenly turned into a fine against me! I kindly request that you review the call records between me and the specialist, whose name is (...). As I previously clarified in the case, I had a conversation with him where he explicitly instructed me not to amend the tax return, assuring me that the fine was merely formal and would be removed immediately. Later, he called me back and said, 'I apologize, I was unable to remove it because I didn't fully understand the procedure. However, you can file a complaint here, and if it is not accepted, you may escalate it to the General Secretariat of Tax Committees.' Based on this, I filed the case. All supporting documents are attached to this response." End of Answer. On Tuesday, 01/03/2022 AD, a session was held in accordance with Procedures for Remote Litigation. Both parties wished to proceed with the case. The Plaintiff appeared Representing himself/herself, with National ID No. (...), and by Defendant's representative (...), holder of National ID No., in his capacity as ZATCA's Representative by Authorization Letter No. (...), dated (.....) issued by Deputy Governor for Legal Affairs. Having asked the parties to the case if they had any other statements, they decided to suffice with their earlier submissions. Therefore, the Department ordered that the parties be temporarily dismissed from the virtual session for deliberation and delivery of its decision.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Decree No. (26040) dated 11/06/1441 AH, the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since the Plaintiff aims through this case to annul Defendant's decision regarding the fine for an error in the tax return for the fourth quarter of 2020, based on the Value Added Tax Law and its Implementing Regulations, and given that this dispute falls within the category of tax disputes, it is within the jurisdiction of the Committee for the Resolution of Tax Violations and Disputes, as per Royal Decree No. (M/113) dated 2/11/1438H. Furthermore, as the case was filed by a party with legal standing and within the legally prescribed period, the Department deems it admissible in form.

On Merits: Upon reviewing the case documents and the responses of both parties, after granting them sufficient time to present their arguments and evidence, it is evident that the incident occurred during a transitional period between the implementation of two tax systems. The Plaintiff did not conceal any data or information but rather submitted all invoices in full. Upon reassessment, ZATCA classified the transactions as refundable rather than deductible, confirming that the issue arose purely from a technical interpretation, which does not warrant a fine due to the absence of any substantive violation.

Based on the above grounds, and based on the Common VAT Agreement, VAT Law and its Implementing Regulations, and the Tax Dispute and Violation Committee Procedures, and after deliberation, the Department unanimously decided to:

Decision



Accept the Case filed by Plaintiff and canceling the fine for Error in Tax Return in the declaration for the tax period in question.

This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

Appellate

The Appellate Committee decided to uphold the decision.



Committee for Determination of Tax Violations and Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-444
Case No.: V-68159-2021

Key words:

Value Added Tax – Real Estate Purchase – Refund of Legal Fees – Reimbursement of VAT Payment – Annulment of Defendant's Decision – Mortgage Financing – Dismissal of the case

Abstract

The Plaintiff seeks to compel the Defendant to refund the VAT payment amounting to 5,000 SAR, which resulted from the purchase of real estate through the Defendant, in addition to a refund of 15,000 SAR. Upon review, the Department found that the Defendant provided evidence of returning the deducted amounts from Plaintiff's account, and consequently, the net tax due amounted to only 5,000 SAR. Since the Defendant acted as the supplier in the transaction, they had the right to impose VAT on amounts exceeding 850,000 SAR. Regarding legal fees, the Plaintiff requested the refund of 15,000 SAR. However, as previously established, the amount paid by the Plaintiff was the legally due tax amount, and the Plaintiff did not provide sufficient grounds to justify discussing legal fees, which were claimed in an amount exceeding the actual rightful claim. Accordingly, the Department dismisses Plaintiff's case.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [The State Revenue law, issued by Royal Decree No. \(M/68\) dated 18/11/1431 AH.](#)
- Article (2) of [Value Added Tax Law issued by Royal Decree No. \(M/113\) dated 02/11/1438 AH.](#)
- Paragraph (1) of Article (30) of the Common Agreement for Value Added Tax of the Gulf Cooperation Council (GCC), November 2016, Ratified by Royal Decree No. (M/51) dated 03/05/1438 AH.
- Article (14) of [The Implementing Regulations of the Value Added Tax Law, issued by the Board of Directors of the former General Authority of Zakat and Tax, under Decision No. \(3839\) dated 14 Dhul-Hijjah 1438H \(corresponding to November 14, 2016\).](#)

Facts

The facts of this case can be summarized as follows: (...) holding National ID No. (...) filed a statement of claim against (...) Bank, Commercial Registration No. (...), requesting the Defendant to refund the VAT payment amounting to 5,000 SAR, which resulted from the purchase of real estate through the Defendant, as well as the reimbursement of legal fees amounting to 15,000 SAR.



Upon presenting the statement of case to the Defendant, they responded with a memorandum of reply stating: On 12/08/1441H, the Plaintiff obtained a real estate loan to purchase a property for 950,000 SAR (Attached: Exhibit No. 1). According to the First Home Certificate, the state covered the VAT amount up to 850,000 SAR, while the buyer is responsible for any excess tax in accordance with the VAT law and its regulations. On 05/04/2020, the bank issued a tax invoice, and the tax was duly remitted, this amount is non-refundable under all circumstances (Attached: Exhibit No. 2). The Plaintiff claimed that the bank deducted the VAT amount twice and that the dispute revolves around the actual tax due. Response to the Claim: Plaintiff's assertion that the bank deducted more than 5,000 SAR is incorrect. The deducted amount was precisely 5,000 SAR, dated 02/03/2020 (Attached: Exhibit No. 3). The Plaintiff provided an entry for VAT deduction dated 27/02/2020, but this entry was subsequently reversed to the Plaintiff's account, meaning no deduction occurred on that date. The bank statement clearly shows the deduction and reversal of the entry (Attached: Exhibit No. 4). Date of Deduction Amount Deducted Date of Refund Amount Refunded (...) (Debit) (...) (Credit) (...) (Debit) (...) (Credit) (...) (Debit) This indicates that the Plaintiff intends to mislead the committee and give the impression that the bank deducted more than the amount of the tax owed. Therefore, the bank only deducted an amount of five thousand riyals, as evidenced by the account statement dated 02/03/2020. Since the bank has complied with the tax regulations and remitted it to the relevant authority according to the value-added tax laws and regulations, this makes the Plaintiff's claim subject to rejection. For all the above reasons, (...) bank requests the following: Dismissal of the claim for lack of legal or regulatory basis. End of Answer.

On Monday, February 28, 2022, the session was held in accordance with remote litigation procedures. Upon calling the parties to the case, neither appeared despite being duly notified of the session's date and method of convening. Given that the case is ready for adjudication, the Department proceeded with its ruling. Therefore, the Department decided to adjourn the session for deliberation and issue a decision.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Decree No. (26040) dated 11/06/1441 AH. the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In form, since the Plaintiff aims to compel the Defendant to refund the VAT payment amounting to 5,000 SAR and reimburse legal fees totaling 15,000 SAR, based on the Value Added Tax Law and its Implementing Regulations, and given that this dispute falls within the category of tax disputes, it is within the jurisdiction of the Committee for the Resolution of Tax Violations and Disputes, as per Royal Order No. (26040) dated 21/04/1441 AH. Furthermore, as the case was filed by a party with legal standing and within the legally prescribed period, the Department deems it admissible in form.

On merits, upon reviewing the case documents and the responses of both parties, after granting them sufficient time to present their arguments and evidence, the Department notes the following:

First: The dispute between the Plaintiff and the Defendant revolves around the Plaintiff's claim for a VAT refund of 5,000 SAR related to the purchase of a property valued at



850,000 SAR. According to Paragraph (1) of Article (30) of the Common Agreement for Value Added Tax of the Gulf Cooperation Council (GCC) States, it states: “It is at the discretion of each member state to exempt the below stated categories from payment of tax upon receiving goods & services in such state. Further, It’s for the discretion of each member state to allow such persons to get refund of tax incurred upon receiving goods & services, and this shall be in accordance with the conditions and modalities determined by such states, and such categories shall include the following: - Government entities as designated by each member state. - Charitable organizations and public benefit institutions, as determined by each member state. - Companies exempted under agreements for hosting international events. - Citizens of a member state when constructing their private residences. - Unregistered farmers and fishermen for VAT purposes. Additionally, Article (14) of the Implementing Regulations of the Value Added Tax Law states: “Without prejudice to Article two of the Law, for the purposes of applying the Agreement and the Law in the Kingdom, the Tax is imposed on all Taxable Supplies of Goods and Services made by a Taxable Person in the Kingdom in the course of carrying on their Economic Activity or those received by a Taxable Person in the Kingdom in the course of carrying on their Economic Activity where the Reverse Charge Mechanism applies, as well as on the Import of Goods into the Kingdom..”

The Plaintiff's claim against the Defendant concerns the refund of a VAT payment of 5,000 SAR, which was paid upon purchasing a property valued at 850,000 SAR through a mortgage loan. The Plaintiff holds a First Home Tax Exemption Certificate, which covers VAT on the first 850,000 SAR of the property value. However, the Defendant offered an additional 100,000 SAR as a personal loan, raising the total property value to 950,000 SAR. The Plaintiff further stated that he paid 5,000 SAR in VAT to the original property owner and claimed that the amount was deducted twice. The Defendant responded that VAT was only deducted on the amount exceeding 850,000 SAR, totaling 5,000 SAR. The Defendant further clarified that the amount was deducted three times but refunded twice through a reversal entry, as evidenced by the bank statement, title deed No. (...) dated (...), and the issued invoice No. (...) dated (...). Whereas the original burden of payment of tax as an indirect tax on received goods and services is on customer or buyer (the recipient of the goods and services), except if excluded by virtue of a specific provision from paying the tax on the goods and services received under specific cases mentioned in Article (30) of Common VAT Agreement of GCC States. Upon reviewing the facts of the case, it is evident that the property value is 950,000 SAR, based on Plaintiff's payment of 5,000 SAR to the original seller, which constitutes an acknowledgment of the agreed value as stated in the title deed and the invoice. Furthermore, the Defendant provided evidence of refunding the deducted amounts from Plaintiff's account, confirming that the net tax deduction was only 5,000 SAR. As the supplier in the transaction, the Defendant had the right to impose VAT on the amount exceeding 850,000 SAR, in accordance with Royal Order (A/86) and Article (2) of the VAT Law. Accordingly, the Department decides to dismiss the case.

Second: Regarding attorney fees:

Since it has been established that the amount paid by the Plaintiff corresponds to the legally due tax, and the Plaintiff has not provided sufficient grounds to justify discussing legal fees, which were claimed in an amount exceeding the actual rightful claim, the request is subject to dismissal.

Based on the above grounds, and based on the Common VAT Agreement, VAT Law and its Implementing Regulations, and the Tax Dispute and Violation Committee Procedures, and after deliberation, the Department unanimously decided to:



Decision

To dismiss Plaintiff case.

This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-445
Case No.: V-66847-2021

Key words:

Value Added Tax – Field Violation fine – Absence of Tax Identification Number on Tax Invoices – Plaintiff's Claim Accepted

Abstract

The Taxpayer seeks to annul ZATCA's decision to impose a field violation fine for non-compliance with tax invoice requirements, amounting to 10,000 SAR, due to the absence of the tax identification number on the issued invoice. The dispute between the Plaintiff and the Defendant revolves around the imposition of a fine for violating the provisions of the VAT Law or its regulations, specifically for the lack of a tax identification number on the issued invoice. Upon reviewing the case, the Department found that the fine decision was issued more than 15 months after the violation was recorded. The extended period between the violation date and the issuance of the fine suggests either a lack of conviction by ZATCA regarding the necessity of the fine at the time or negligence in issuing it promptly. Since the purpose of a fine is to immediately notify the violator of their misconduct or deficiency, and this objective was not met, the fine lacks validity. Conclusion: Plaintiff's claim is accepted.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH-](#)
- [Article 45 of the Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- Paragraph (8) of Article (53) of [the Implementing Regulations of Value Added Tax Law issued by the General Authority of Zakat and Tax \(formerly\) Board of Directors Decision No. \(3839\) dated Dhu Al-Hijjah 14, 1438 AH corresponding to November 14, 2016 AD](#)
- [The Common Agreement for Value Added Tax of the Gulf Cooperation Council \(GCC\), November 2016](#), ratified by Royal Decree No. (M/51) dated 03/05/1438 AH.

Facts

(...) holding National ID No. (...), owner of (...) Establishment, with Commercial Registration No. (...), filed a statement of claim objecting to Defendant's decision to impose a field violation fine for non-compliance with tax invoice requirements, amounting to 10,000 SAR, due to the absence of the tax identification number. The Plaintiff requests the cancellation of the imposed fine.



Having presented the statement of claim to Defendant, it responded as follows: “First: On Merits: 1. Authority representatives visited Plaintiff's business location and examined simplified invoices issued by the Plaintiff during a field inspection campaign to verify compliance with the Value Added Tax (VAT) Law and its Implementing Regulations. Upon inspection, it was found that Plaintiff's tax identification number was missing, which constitutes a violation of the simplified invoice requirements as stipulated in Paragraph (b) of Clause (8) of Article (53) of the Implementing Regulations of the VAT Law, which states: “b- The name and address of the supplier and their tax identification number.” Since the invoices reviewed did not contain Plaintiff's tax identification number, ZATCA upholds the validity of its decision to impose the fine in question. -2. Having verified Plaintiff violation of Excise Tax Law and its Implementing Regulations as stated above, ZATCA fined Plaintiff an amount of SAR 10,000 based on Article 23.3 of Excise Tax Law, which states: “A fine not exceeding 50,000 SAR shall be imposed on any person who: 3. violates any other provision of the Law or the Regulations” Defendant representative concluded his Reply requesting that the case be dismissed. End of Reply. On Monday, 28/02/2022 AD, a session was held in accordance with remote litigation procedures. Both parties wished to proceed with the case. The Plaintiff (...) appeared, Representing herself, with National ID No. (...), and by Defendant's representative (...), holder of National ID No., in his capacity as ZATCA's Representative by Authorization Letter No. (...), dated (...), issued by Deputy Governor for Legal Affairs. Having asked Plaintiff about her case, she responded that she admits what is mentioned in her statement of claim submitted to General Secretariat of Zakat, Tax and Customs Committees and confirms all facts contained therein. Having asked Defendant's representative about his reply to Plaintiff claims, he maintained his answers contained in his reply deposited in case file. Having asked the parties to the case if they had any other statements, they decided to suffice with their earlier submissions. Therefore, the Department ordered that the parties be temporarily dismissed from the virtual session for deliberation and delivery of its decision.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Decree No. (26040) dated 11/06/1441 AH. the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since the Plaintiff seeks to annul Defendant's decision imposing a field violation fine due to non-compliance with tax invoice requirements, specifically the absence of the tax identification number, based on the VAT Law and its Implementing Regulations, and given that this dispute falls within the category of tax disputes, it is within the jurisdiction of the Committee for the Resolution of Tax Violations and Disputes, as per Royal Order No. (26040) dated 21/04/1441 AH. Furthermore, as the case was filed by a party with legal standing and within the legally prescribed period, the Department deems it admissible in form.

On Merits: On merits, upon reviewing the case documents and the responses of both parties, after granting them sufficient time to present their arguments and evidence, it is evident that the dispute between the Plaintiff and the Defendant revolves around the imposition of a fine for violating the provisions of the VAT Law or its regulations,



specifically due to the absence of the tax identification number on the issued invoice. Clause (8) of Article (53) of the Implementing Regulations of the VAT Law, concerning tax invoices, states: "A simplified tax invoice must include the following details:.... A. Issue Date B. Name and address of the supplier and their tax identification number. C. The tax due or a statement indicating that the total amount includes tax concerning the supply of goods or services. Additionally, Article (45) of the VAT Law states: "A fine not exceeding fifty thousand (50,000) SAR shall be imposed on anyone who: 3. violates any other provision of the Law or the Regulations.

Upon reviewing the violation date, it was recorded on January 20, 2020, whereas the fine decision was not issued until more than 15 months later. The significant gap between the violation date and the issuance of the fine suggests either a lack of conviction by ZATCA regarding the necessity of the fine at the time or a failure to impose it in a timely manner. Since the purpose of a fine is to immediately notify the violator of their misconduct or deficiency, the delayed imposition of the fine deviates from its intended objective and deprives the Taxpayer of the opportunity to present evidence at the appropriate time. Therefore, ZATCA's decision lacks merit and is not worthy of support, necessitating a ruling in favor of the Plaintiff, the acceptance of the case, and the annulment of the contested decision and its consequences.

In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

Accept the Plaintiff's claim and annul the fine in question for the grounds on which it was based.

This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and Disputes
First Department for Determination of
Value Added Tax in Dammam

Decision No.: VD-2022-462
Case No.: V-48837-2021

Key words:

Value Added Tax – Field Violation fine – Late Registration fine – Plaintiff's Claim Accepted

Abstract

The Taxpayer seeks to annul ZATCA's decision to impose a late registration fine for Value Added Tax (VAT) amounting to 10,000 SAR. Upon reviewing the entire case file and its contents, the Department found that the Defendant stated in its reply memorandum that the Plaintiff voluntarily registered for VAT, and the fine was imposed due to the Plaintiff selecting an incorrect supply threshold. However, the Defendant failed to provide evidence proving that the Plaintiff exceeded the mandatory registration period or specifying the date of such a violation as claimed. Conclusion: Plaintiff's claim is accepted.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Article 41 of the Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- Paragraph (1) of Article (3) of [the Implementing Regulations of Value Added Tax Law issued by the General Authority of Zakat and Tax \(formerly\) Board of Directors Decision No. \(3839\) dated Dhu Al-Hijjah 14, 1438 AH corresponding to November 14, 2016 AD](#)
- Paragraph (1) and Paragraph (2) of Article (50) of the Common Agreement for Value Added Tax of the Gulf Cooperation Council (GCC), November 2016, Ratified by Royal Decree No. (M/51) dated 03/05/1438 AH.

Facts

The facts of this case can be summarized as follows: (...), holding Commercial Registration No. (...), filed a statement of claim objecting to Defendant's decision to impose a late registration fine for Value Added Tax (VAT) amounting to 10,000 SAR, requesting the cancellation of the fine.

Having presented the statement of claim to Defendant, it responded as follows: First: On Merits: 1. Paragraph (2) of Article (50) of the Common VAT Agreement of the States of the Gulf Cooperation Council states that "The Mandatory Registration Threshold shall be SAR 375,000" Additionally, Paragraph (9) of Article (79) of the Implementing Regulations of the VAT Law provides that any person whose annual supplies exceed the mandatory registration threshold but do not exceed SAR 1 million shall be exempt from mandatory



registration if this occurs before January 1, 2019. Upon reviewing the Plaintiff's data within ZATCA, it was found that the Plaintiff submitted their first VAT registration application on 10/01/2021.

- 4- Discretionary Authority and Voluntary Compliance
- Under the principle of administrative discretion, which grants ZATCA the power to determine the procedures for forming Taxpayer status, ZATCA's regulations adopt a voluntary compliance approach for all tax-related actions, including: Registration, Filing returns, Error corrections and Notifying ZATCA of any changes, etc. However, ZATCA retains discretionary powers to review taxpayers' status when necessary and to conduct audits and verifications of any submitted request to ensure its accuracy and validity. Accordingly, ZATCA allowed taxable persons to complete registration voluntarily, giving them the option to submit supporting documents or rely on a declaration confirming the accuracy of the provided information. Consequently, the Taxpayer voluntarily registered and selected the supply threshold applicable to their business, and the fine was issued based on the Taxpayer's own provided inputs. fines are imposed solely on this basis.
- 5- All legal requirements were published well in advance of implementation, and various awareness measures were undertaken through electronic channels. Additionally, a unified call center was made available to all taxpayers to ensure proper compliance with the VAT law and its regulations.
- 6- Based on the above, the late registration fine was imposed on the Plaintiff pursuant to Article (41) of the VAT Law, which states: "Any Person who has not applied for registration within the period specified in the Regulations shall be fined ten thousand (10,000) riyals". Defendant representative concluded his Reply requesting that the case be dismissed. End of Reply.

On Sunday, 27/02/2022 AD, a session was held remotely as per the remote litigation procedures. The Defendant was present, while the Plaintiff was not, despite being notified of the date and format of the session. The Defendant was represented by Mr..... holder of National ID No., in his capacity as ZATCA's Representative by Authorization Letter No. (.....), dated (.....) issued by Deput Governor for Legal Affairs. Given the Plaintiff's absence, the Defendant requested to proceed with the case and issue a decision. Therefore, the Department decided to adjourn the session for deliberation and issue a decision.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Decree No. (26040) dated 11/06/1441 AH. the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since the Plaintiff seeks to annul Defendant's decision to impose a late registration fine for Value Added Tax (VAT), based on the VAT Law and its Implementing Regulations, and given that this dispute falls within the category of tax disputes, it is within the jurisdiction of the Committee for the Resolution of Tax Violations and Disputes, as per Royal Order No. (26040) dated 21/04/1441 AH. Furthermore, as the case was filed by a party with legal standing and within the legally prescribed period, the Department deems it admissible in form.



On Merits: Upon reviewing the case documents and considering the responses of both parties after granting them sufficient time to present their arguments, it is evident that the dispute between the Plaintiff and the Defendant revolves around the imposition of a late VAT registration fine. Paragraph (1) of Article (50) of the Common Agreement for Value Added Tax (VAT) of the Gulf Cooperation Council (GCC) states: "A taxable person shall be required to register for the purposes of implementing this Agreement if: A. They are a resident in any of the Member States. b. B. Exceed or are expected to exceed the annual supply threshold for mandatory registration in that Member State." Additionally, Paragraph (2) of Article (50) of the Common Agreement for VAT of the GCC states: "The mandatory registration threshold is set at 375,000 SAR (or its equivalent in other GCC currencies). The Ministerial Committee may revise this threshold after three years from implementation." Additionally, Paragraph (1) of Article (3) of the Implementing Regulations of the VAT Law states: "Any resident person in the Kingdom who is not registered with the Authority must, at the end of each month, calculate the value of their supplies over the preceding twelve months in accordance with the requirements stipulated in the Agreement. If this value exceeds the mandatory registration threshold specified in the Agreement, the person must submit a registration application to the Authority within thirty (30) days from the end of that month, in accordance with Article 8 of these Regulations." Furthermore, Article (41) of the VAT Law states: "Any Person who has not applied for registration within the period specified in the Regulations shall be fined ten thousand (10,000) riyals"

After reviewing the entire case file and the presented arguments, the Department finds that the Defendant stated in its reply memorandum that the Plaintiff voluntarily registered for VAT and that the fine was imposed due to the Plaintiff selecting an incorrect supply threshold. However, the Defendant failed to provide evidence proving that the Plaintiff exceeded the mandatory registration period or to specify the date of such a violation as claimed.

Based on the foregoing and in accordance with provisions of the Common Agreement, Value Added Tax Law and its Implementing Regulations, and Rules of Procedure for Tax Dispute and Violation Committees, the Department unanimously decided after deliberation:

Decision

Accepting the Plaintiff's claim and annulling the fine subject to the case.

This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-516
Case No.: V-64730-2021

Key words:

Value Added Tax – Field Violation fine – Failure to Retain Tax Invoices – Annulment of Defendant's Decision – Claim Accepted

Abstract

The Taxpayer seeks to annul ZATCA's decision to impose a field violation fine of 10,000 SAR for failure to retain tax invoices. The Taxpayer's objection is based on the request to cancel the field violation fine imposed by the Defendant. Upon review, the Department found that the Plaintiff submitted several invoices issued before the violation date, proving that tax invoices were retained. This confirms that the Plaintiff did not violate Article (59) of the VAT Agreement and Paragraph (1) of Article (66) of the Implementing Regulations. As a result, the Plaintiff's claim is accepted, and Defendant's decision is annulled.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 11/02/1438 AH](#)
- Article (59) of the [Common Agreement for Value Added Tax of the Gulf Cooperation Council \(GCC\), November 2016, Ratified by Royal Decree No. \(M/51\) dated 03/05/1438 AH.](#)
- Paragraph (1) of Article (66) of [the Implementing Regulations of Value Added Tax Law issued by the General Authority of Zakat and Tax \(formerly\) Board of Directors Decision No. \(3839\) dated Dhu Al-Hijjah 14, 1438 AH corresponding to November 14, 2016 AD](#)

Facts

Case facts are summarized as follows: (...) holding National ID No. (...), as the owner of (...) Establishment, with Commercial Registration No. (...), filed a statement of claim objecting to the decision of Zakat, Tax, and Customs Authority regarding the imposition of a field violation fine for failure to retain tax invoices, amounting to 10,000 SAR. The Plaintiff requests the cancellation of Defendant's decision.

Having presented the statement of claim to Defendant, it responded as follows: "On 30/03/2021, representatives of ZATCA visited Plaintiff's business premises to verify compliance with VAT regulations. When asked about tax records, documents, and invoices, Plaintiff's representative stated that they were not retained, which constitutes a violation of Paragraph (1) of Article (66) of the Implementing Regulations of the VAT



Law. After confirming Plaintiff's violation of the VAT Law, ZATCA imposed a fine of 10,000 SAR, in accordance with Paragraph (1) of Article (45) of the VAT Law. Based on the above, ZATCA requests a ruling to dismiss the case and uphold the fine decision. ZATCA also reserves the right to submit further responses and clarifications before the closing of pleadings."

On Tuesday, 08/03/2022, a hearing was held in accordance with remote litigation procedures. The Defendant attended, while the Plaintiff was absent, despite being duly notified of the session's date and remote format. Defendant's representative (..), holding National ID No. (...), attended the session on behalf of Zakat, Tax, and Customs Authority under authorization letter No. (...) dated (...), issued by the Deputy Governor for Legal Affairs. When confronted with the case details, the Defendant requested to proceed with the case and issue a decision. After reviewing the case details and submitted documents, and since the case was ready for adjudication, the Department closed the pleadings for deliberation. In accordance with the VAT Law, its Implementing Regulations, and the procedural rules governing tax dispute committees, the Department proceeded with issuing its decision.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Decree No. (26040) dated 11/06/1441 AH. the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: In form, since the Plaintiff seeks to annul Defendant's decision regarding the imposition of a fine for failure to retain tax invoices, and given that this dispute falls within the category of tax disputes, it is within the jurisdiction of the Committee for the Resolution of Tax Violations and Disputes, as per Royal Order No. (26040) dated 21/04/1441 AH. Furthermore, as the case was filed by a party with legal standing and within the legally prescribed period, the Department deems it admissible in form.

On Merits: Upon reviewing the case documents and the responses of both parties, it is evident that the dispute concerns Plaintiff's request to annul the field violation fine. The Department found that the violation was recorded on 30/03/2021, but the Defendant did not submit the official field violation report, instead relying solely on a reply memorandum. In contrast, the Plaintiff submitted multiple invoices as evidence, including: Invoice No. (...) issued on 24/01/2021 and Invoice No. (...) issued on 26/01/2021. These invoices predate the violation date, thereby proving that the Plaintiff retained tax invoices and did not violate Article (59) of the VAT Agreement or Paragraph (1) of Article (66) of the Implementing Regulations. Given the above, the Department finds Defendant's action unjustified and deems the imposed fine invalid.

Based on the above grounds, and based on the Common VAT Agreement, VAT Law and its Implementing Regulations, and the Tax Dispute and Violation Committee Procedures, and after deliberation, the Department unanimously decided to:

Decision

Accepting Plaintiff's claim and annulling the Defendant's decision subject to the case.



This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-521
Case No.: V-65450-2021

Key words:

Value Added Tax – Field Violation fine – Absence of Tax Identification Number –
Annulment of Defendant's Decision – Plaintiff's Claim Accepted

Abstract

The Taxpayer seeks to annul ZATCA's decision to impose a field violation fine of 10,000 SAR due to the absence of the tax identification number. Upon reviewing the case, the Department found that the violation was recorded on 05/09/2018, yet the fine decision was not issued until approximately two years later. The significant delay between the violation date and the issuance of the fine suggests either a lack of conviction by ZATCA regarding the necessity of the fine at the time or a failure to impose it promptly. Since the purpose of a fine is to immediately notify the violator of their misconduct or deficiency, the delayed imposition of the fine negates this objective. As a result, the Plaintiff's claim is accepted, and Defendant's decision is annulled.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 11/02/1438 AH](#)
- [Implementing Regulations of the Value Added Tax Law, issued by Resolution of the Board of Directors of the General Authority of Zakat and Income -formerly- No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH corresponding to 14 November 2016](#)
- [The Common Agreement for Value Added Tax of the Gulf Cooperation Council \(GCC\), November 2016](#), ratified by Royal Decree No. (M/51) dated 03/05/1438 AH.

Facts

Case facts are summarized as follows: (...) holding National ID No. (...), as the owner of (...) Establishment, with Commercial Registration No. (...), filed a statement of claim objecting to the decision of Zakat, Tax, and Customs Authority regarding the imposition of a field violation fine for failure to include the tax identification number, amounting to 10,000 SAR. The Plaintiff requests the cancellation of Defendant's decision.

Having presented the statement of claim to Defendant, it responded as follows: "On 05/09/2018, representatives of ZATCA visited Plaintiff's business premises to verify compliance with VAT regulations. After inspection, it was found that the Plaintiff violated the provisions of Paragraph (b) of Clause (8) of Article (53) of the Implementing Regulations of the VAT Law. After confirming Plaintiff's violation of the VAT Law, ZATCA imposed a fine of 10,000 SAR, in accordance with Paragraph (3) of Article (45)



of the VAT Law. Based on the above, ZATCA requests a ruling to dismiss the case and uphold the fine decision. Additionally, ZATCA reserves the right to submit further responses and clarifications before the closing of pleadings."

On Tuesday, 08/03/2022 AD, a session was held in accordance with Procedures for Remote Litigation. Both parties wished to proceed with the case. The Plaintiff appeared Representing himself/herself, with National ID No. (...), and by Defendant's representative (...), holder of National ID No., appeared in her capacity as ZATCA representative under Authorization No. (...) dated (.....) issued by Deputy Governor for Legal Affairs. Having asked Plaintiff about his case, he responded that he admits what is mentioned in his statement of claim submitted to General Secretariat of Zakat, Tax and Customs Committees and confirms all facts contained therein. Having asked Defendant's representative about his reply to Plaintiff claims, he maintained his answers contained in his reply deposited in case file. Having asked the parties to the case if they had any other statements, they decided to suffice with their earlier submissions. Therefore, the Department decided that parties to the Case should temporarily leave the virtual room for deliberation and adjudication.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Decree No. (26040) dated 11/06/1441 AH. the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since the Plaintiff seeks to annul Defendant's decision regarding the imposition of a fine for the absence of the tax identification number, and given that this dispute falls within the category of tax disputes, it is within the jurisdiction of the Committee for the Resolution of Tax Violations and Disputes, as per Royal Order No. (26040) dated 21/04/1441 AH. Furthermore, as the case was filed by a party with legal standing and within the legally prescribed period, the Department deems it admissible in form.

On Merits: Upon reviewing the case documents and the responses of both parties, it is evident that the dispute concerns Plaintiff's request to annul the field violation fine. The Department found that the violation was recorded on 05/09/2018, yet the fine decision was not issued until approximately two years later. The significant delay between the violation date and the issuance of the fine suggests either a lack of conviction by ZATCA regarding the necessity of the fine at the time or a failure to impose it promptly. Since the purpose of a fine is to immediately notify the violator of their misconduct or deficiency, its delayed imposition negates this objective. Moreover, the delay deprived the Taxpayer of the opportunity to present evidence in a timely manner, which renders ZATCA's decision unjustified and unworthy of support. Based on the above, the Department accepts Plaintiff's claim and annuls Defendant's decision and its consequences.

In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:



Decision

To accept the Plaintiff case and cancel the Defendant's decision subject of the case.

This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-522
Case No.: V-59164-2021

Key words:

Value Added Tax – Payment of VAT on Real Estate Sale – VAT Remittance – Tax
Payment Obligation – Plaintiff's Claim Accepted

Abstract

The Plaintiff seeks to compel the Defendant to pay the Value Added Tax (VAT) resulting from the sale of a property to the Defendant, amounting to 32,000 SAR. Upon review, the Department found that the Plaintiff had already remitted the VAT to Zakat, Tax, and Customs Authority, as evidenced by the payment notification. Since VAT is an indirect tax, the burden of payment typically falls on the customer or buyer (the recipient of goods and services) unless explicitly exempted by a specific legal provision. As a result, the Department accepts Plaintiff's claim and orders the Defendant to pay the Plaintiff the amount of 32,000 SAR.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 11/02/1438 AH](#)
- [Implementing Regulations of the Value Added Tax Law, issued by Resolution of the Board of Directors of the General Authority of Zakat and Income -formerly- No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH corresponding to 14 November 2016](#)
- [Article \(30\) of the Common Agreement for Value Added Tax of the Gulf Cooperation Council \(GCC\), November 2016, Ratified by Royal Decree No. \(M/51\) dated 03/05/1438 AH.](#)

Facts

Case facts are summarized as follows: (...) holding National ID No. (...), acting as the legal representative of the Plaintiff (...), holding National ID No. (...), pursuant to Power of Attorney No. (...), filed a statement of claim seeking to compel the Defendant (...), holding National ID No. (...), to pay the Value Added Tax (VAT) resulting from the sale of a property to the Defendant, amounting to 32,000 SAR. Despite being notified of the case filed by the Plaintiff, which required a response, the Defendant failed to submit any reply. On Sunday, 13/03/2022, the hearing was conducted remotely in accordance with virtual litigation procedures. Plaintiff's representative (holding National ID No. (...)) attended the session on behalf of the Plaintiff. The Defendant or their representative did not appear. When asked about the claim, Plaintiff's representative affirmed the arguments presented



in the statement of claim submitted to the General Secretariat of Tax Committees and upheld all its contents. Based on the proceedings, the Department temporarily adjourned the virtual hearing for deliberation and issuance of the final ruling.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Decree No. (26040) dated 11/06/1441 AH, the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since the Plaintiff seeks to compel the Defendant to pay the Value Added Tax (VAT) resulting from the sale of a property, and given that this dispute falls within the category of tax disputes, it is within the jurisdiction of the Committee for the Resolution of Tax Violations and Disputes, as per Royal Order No. (26040) dated 21/04/1441 AH. Furthermore, as the case was filed by a party with legal standing and within the legally prescribed period, the Department deems it admissible in form.

On Merits: Upon reviewing the case documents and the responses of both parties, it is evident that the dispute concerns Plaintiff's request to compel the Defendant to pay the VAT resulting from the property sale. The Department found that the ownership of the property was transferred to the Defendant, as evidenced by Title Deed No. (...). It was also established that the Defendant (the buyer) agreed and committed to bearing the VAT liability, as per the attached sales contract signed between both parties. Additionally, the Department confirmed that the Plaintiff had already remitted the VAT to Zakat, Tax, and Customs Authority, as evidenced by Payment Notification No. (...). Since VAT is an indirect tax, the burden of payment typically falls on the customer or buyer (the recipient of goods and services), except in cases specifically exempted under Article (30) of the Unified Agreement for VAT of the Gulf Cooperation Council (GCC). As the Defendant failed to appear for the hearing despite being duly notified and did not present any counterarguments to dispute these facts, the Department has determined that the Defendant is liable for the VAT payment. Accordingly, the Department orders the Defendant to pay the VAT amount due.

In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

Accept the Plaintiff's Case, and obligate the Defendant to pay the Plaintiff the amount of SAR (32,000).

This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day



following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-577
Case No.: V-63082-2021

Key words:

Value Added Tax – Field Violation fine – Late Registration fine – Failure to Update Information – Plaintiff's Claim Dismissed

Abstract

The Taxpayer seeks to annul ZATCA's decision imposing a late registration fine for VAT amounting to 10,000 SAR. The dispute revolves around Plaintiff's representative requesting the cancellation of the field violation fine. Upon review, the Department found that the Taxpayer failed to update and amend their records with ZATCA and continued submitting and paying VAT returns under the previous name. The Ministry of Commerce and Investment's records indicate that the name change was made on 01/07/1440 AH (corresponding to 08/03/2019). As a result, Plaintiff's representative delayed updating their information with ZATCA for nearly two years, demonstrating negligence in maintaining accurate records. Accordingly, the Department dismisses Plaintiff's claim. Accordingly, the Department decided to dismiss Plaintiff's case.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 11/02/1438 AH](#)
- [Implementing Regulations of the Value Added Tax Law, issued by Resolution of the Board of Directors of the General Authority of Zakat and Income -formerly- No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH corresponding to 14 November 2016](#)
- [The Common Agreement for Value Added Tax of the Gulf Cooperation Council \(GCC\), November 2016](#), ratified by Royal Decree No. (M/51) dated 03/05/1438 AH.

Facts

Case facts are summarized as follows: (...) holding National ID No. (...), in his capacity as the legal representative of (...) Company, Commercial Registration No. (...), filed a statement of claim objecting to the decision of Zakat, Tax, and Customs Authority imposing a late VAT registration fine amounting to 10,000 SAR. The Plaintiff requests the cancellation of Defendant's decision.

On Monday, 14/03/2022, the hearing was conducted remotely in accordance with virtual litigation procedures. (...) (holding National ID No. (...)), participated in the session as the director of the Plaintiff company, based on the company's articles of incorporation



attached to the case. (...) (holding National ID No. (...)), attended the session as a representative of Zakat, Tax, and Customs Authority, pursuant to authorization letter No. (...) dated (...), issued by the Deputy Governor for Legal Affairs. When asked about the claim, Plaintiff's representative affirmed the arguments presented in the statement of claim submitted to the General Secretariat of Tax Committees and upheld all its contents. When asked about the defense, Defendant's representative upheld the arguments outlined in the reply memorandum. Having asked the parties to the case if they had any other statements, they decided to suffice with their earlier submissions. Therefore, the Department decided that parties to the Case should temporarily leave the virtual room for deliberation and adjudication.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Decree No. (26040) dated 11/06/1441 AH, the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since Plaintiff's representative seeks to annul Defendant's decision imposing a late VAT registration fine, and given that this dispute falls within the category of tax disputes, it falls under the jurisdiction of the Committee for the Resolution of Tax Violations and Disputes, as per Royal Order No. (26040) dated 21/04/1441 AH. Furthermore, as the case was filed by a party with legal standing and within the legally prescribed period, the Department deems it admissible in form.

On Merits: Upon reviewing the case documents and the responses of both parties, it is evident that the dispute concerns Plaintiff's representative's request to annul the field violation fine. Plaintiff's representative argues that the subsidiary commercial registration was separated from the main registration for (...) Company, and the company's name was changed to (...). However, the Plaintiff failed to update and amend the information with ZATCA, continuing to submit and pay VAT returns under the previous name until 31/12/2020. The Plaintiff added that at the beginning of 2021, they corrected their status with ZATCA, after which the fine was issued. Despite the Defendant not responding substantively to the claim, despite being contacted twice through the law, the Ministry of Commerce and Investment's records indicate that the name change was made on 01/07/1440 AH (corresponding to 08/03/2019). Thus, Plaintiff's representative delayed updating their information with ZATCA for nearly two years, as evidenced by the late VAT registration fine notice issued on 23/02/2021. This indicates negligence in maintaining accurate records with ZATCA, which justifies Defendant's action. Accordingly, the Department finds Defendant's decision valid and upholds the imposed fine.

Based on the above grounds, and based on the Common VAT Agreement, VAT Law and its Implementing Regulations, and the Tax Dispute and Violation Committee Procedures, and after deliberation, the Department unanimously decided to:

Decision

Rejection of Plaintiff's claim



This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and Disputes
First Department to Adjudicate of Value Added Tax Violations and
Disputes
In Dammam

Decision No.: VD-2022-1033

Case No.: V-68234-2021

Key words:

Value Added Tax – Field Inspection fine – Issuance of an Invoice by an Unregistered Person – Annulment of Defendant's Decision – Acceptance of Plaintiff's Claim

Abstract

The Taxpayer seeks the annulment of ZATCA's decision regarding a field inspection fine amounting to 10,000 SAR, imposed for collecting less tax than due. ZATCA's representatives visited Plaintiff's premises and found that the Plaintiff had collected VAT through one of its branches without registering the branch's commercial registration with ZATCA. Upon reviewing the date of the recorded violation, it was found that the fine decision was issued approximately two years after the violation was recorded. As a result, Plaintiff's claim is accepted, and ZATCA's decision is annulled.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 11/02/1438 AH](#)
- [Implementing Regulations of the Value Added Tax Law, issued by Resolution of the Board of Directors of the General Authority of Zakat and Income -formerly- No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH corresponding to 14 November 2016](#)
- [Common VAT Agreement of GCC States, November 2016](#). Certified by Royal Decree No. (M/51), dated 03/05/1438 AH..

Facts

The facts of this case are summarized as follows: (...), with Commercial Registration No. (...), submitted a claim through (...), holding National ID No. (...). In his capacity as the manager of the Plaintiff company, he filed a statement of claim objecting to Defendant's decision regarding the imposition of the field inspection fine No. (...), dated (...), which resulted from the issuance of an invoice by an unregistered person. He requests the annulment of the imposed fine.

Having presented the statement of claim to Defendant, it responded as follows: First: On Merits: 1. On 22/07/2018, ZATCA's representatives conducted an on-site inspection of Plaintiff's premises during a field campaign. Upon inspection, it was found that the Plaintiff had violated Article 2 of the Implementing Regulations of the Value Added Tax (VAT) Law, as the Plaintiff collected VAT through one of its branches without registering the branch's commercial registration with ZATCA. 2. After confirming Plaintiff's violation of



the VAT Law and its Implementing Regulations, ZATCA imposed a fine of 10,000 SAR, based on Article 44 of the VAT Law. Defendant representative concluded his Reply requesting that the case be dismissed. End of Reply.

On Tuesday, 17/05/2022, the hearing was held remotely in accordance with virtual litigation procedures. The Defendant was present, while the Plaintiff did not attend despite being duly notified of the session's date and format. Defendant's representative, (...), holder of National ID No., in his capacity as ZATCA's Representative by Authorization Letter No. (...), dated (.....) issued by Deputy Governor for Legal Affairs. Given the Plaintiff's absence, the Defendant requested to proceed with the case and issue a decision. Therefore, the Department decided to adjourn the session for deliberation and issue a decision.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Decree No. (26040) dated 11/06/1441 AH. the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since the Plaintiff aims, through its claim, to annul Defendant's decision regarding the imposition of a field inspection fine, resulting from the issuance of an invoice by an unregistered person, based on the Value Added Tax (VAT) Law and its Implementing Regulations, and given that this dispute falls under tax-related disputes, it is within the jurisdiction of Committee for Resolution of Income Tax Violations and Disputes , in accordance with Royal Decree No. (26040), dated 21/04/1441 AH. As the claim was filed by a party with legal standing and within the statutory time frame, the Department finds it necessary to accept the claim in form.

On Merits: Upon reviewing the case documents and the responses of both parties, it is evident that the dispute concerns Plaintiff's request to annul the field violation fine. The Department found that the violation was recorded on 22/07/2018, yet the fine decision was not issued until approximately two years later. The significant delay between the violation date and the issuance of the fine suggests either a lack of conviction by ZATCA regarding the necessity of the fine at the time or a failure to impose it promptly. Since the purpose of a fine is to immediately notify the violator of their misconduct or deficiency, its delayed imposition negates this objective. Moreover, the delay deprived the Taxpayer of the opportunity to present evidence in a timely manner, which renders ZATCA's decision unjustified and unworthy of support. Based on the above, the Department accepts Plaintiff's claim and annuls Defendant's decision and its consequences.

Based on the above grounds, and based on the Common VAT Agreement, VAT Law and its Implementing Regulations, and the Tax Dispute and Violation Committee Procedures, and after deliberation, the Department unanimously decided to:

Decision

To accept the Plaintiff case and cancel the Defendant's decision subject of the case. This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days,



as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).

Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Jeddah

Decision No.: VJ-2022-387
Case No.: V-2021-54035

Key words:

Value Added Tax – Field Inspection fine – Failure to Display Tax Certificate – Lack of Evidence to Refute the Violation – Decision Upheld

Abstract

The Taxpayer seeks the annulment of ZATCA's decision regarding a field inspection fine amounting to 10,000 SAR, based on the failure to display the tax certificate. The dispute arises from the non-display of the certificate. Upon review, the Department found that the Plaintiff violated regulations by failing to display the tax certificate. Plaintiff's argument that the certificate was available at the premises is not sufficient, as no evidence was provided to support this claim. As a result, Plaintiff's claim is rejected, and ZATCA's decision is upheld.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- Paragraph (3), Article (45) of [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)
- [The Common Agreement for Value Added Tax of the Gulf Cooperation Council \(GCC\), November 2016](#), ratified by Royal Decree No. (M/51) dated 03/05/1438 AH.
- Paragraph (8) of Article (8) and Paragraph (B/8) of Article (53) of [the Implementing Regulations of the Value Added Tax \(VAT\) Law, issued pursuant to the decision of the Board of Directors of the General Authority of Zakat and Tax \(formerly\), Decision No. \(3839\), dated 14 Dhul-Hijjah 1438 AH \(corresponding to November 14, 2016\).](#)
- [Implementing Regulations of the Income Tax Law promulgated by Minister of Finance's Decision No. \(1535\) of 11/06/1425 AH](#)

Facts

The facts of this case are summarized as follows: Company (...), with Commercial Registration No. (...), submitted a claim through (...), holding National ID No. (...), in his capacity as the company's legal representative under Power of Attorney No. (...). The statement of claim included an objection to Defendant's decision to impose a field inspection fine. Upon presenting Plaintiff's statement of claim to Defendant's



representative, he responded with a one-page defense memorandum, which was reviewed by the Department.

On Sunday, 20/02/2022, the First Department for Adjudication of Value Added Tax Violations and Disputes in Jeddah convened its first hearing via remote communication, in accordance with virtual litigation procedures, based on Clause (2) of Article Fifteen of Tax Violations and Disputes Committee Procedures, issued by Royal Decree No. (26040), dated 21/04/1441 AH. When the case was called, neither the Plaintiff nor their representative appeared, whereas (...), holding National ID No. (...), attended as the representative of Zakat, Tax, and Customs Authority, under Authorization Letter No. (...), issued by the Deputy Governor for Legal Affairs. When asked to respond, Defendant's representative confirmed adherence to the arguments stated in the defense memorandum filed in the case record. After reviewing the point-of-sale (POS) transaction data submitted by the Defendant and determining that the case was ready for adjudication in accordance with Article Twenty of Tax Violations and Disputes Committee Procedures, the Department decided to clear the session for deliberation and issue its ruling.

Grounds

After reviewing the Case documents, and upon thorough examination, and in light of the Income Tax Law promulgated by Royal Decree No. (M/1) dated 15/01/1425 AH, as amended and its Implementing Regulations issued pursuant to the Minister of Finance's Decision No. (1535) dated 11/6/1425 AH, as amended, Value Added Tax Law promulgated by Royal Decree No. (M/113) dated 02/11/1438 AH, as amended and the Implementing Regulations issued by the decision of GAZT's BOD No. (3839) dated 14/12/1438 AH, as amended, Tax Dispute and Violation Committee Procedures issued by Royal Decree No. (26040) dated 11/06/1441 AH, the Common VAT Agreement of GCC States, and all relevant laws and regulations;

In Form: The Plaintiff aimed, through its claim, to annul Defendant's decision regarding the imposition of a field inspection fine. Given that this dispute falls within the jurisdiction of the Committee for the Adjudication of Income Tax Violations and Disputes, in accordance with Royal Decree No. (26040), dated 21/04/1441 AH, and since the claim was filed by a party with legal standing and within the statutory timeframe, the Department finds it necessary to accept the claim in form.

On Merits: Upon reviewing the case documents and the responses of both parties—after granting them sufficient time to present their arguments—the Department established that the dispute revolves around the imposition of a fine of 10,000 SAR for violating the provisions of the VAT Law and its Implementing Regulations, specifically due to failure to display the tax certificate. Paragraph (8) of Article (8) of the Implementing Regulations of the VAT Law states: "A taxable resident person registered with the Authority is required to display the registration certificate at their main place of business and branches, ensuring it is visible to the public." In addition, Paragraph (3) of Article (45) of the Value Added Tax Law stipulates that: "A fine not exceeding (50,000) fifty thousand SAR shall be imposed on any person who:" 3. violates any other provision of the Law or the Regulations. Since the dispute revolves around the Plaintiff's request to annul the fine imposed for violating the provisions of the VAT Law or its Implementing Regulations, amounting to 10,000 SAR, due to the failure to display the tax certificate, and after reviewing the case facts, as well as the field inspection report submitted by the Defendant dated 16/02/2021, which was signed by Plaintiff's representative and explicitly stated the violation as: "Failure to display the tax certificate." Upon examining the attached photographs, the Department



confirmed that the Plaintiff had indeed violated the regulations by failing to display the tax certificate, as stipulated in Paragraph (B/8) of Article (53) of the Implementing Regulations. Plaintiff's defense, claiming that the certificate was available at the premises, does not hold, as no evidence was provided to support this assertion. Accordingly, the Department concludes that the Defendant's imposition of the fine, amounting to 10,000 SAR, for violating the provisions of the VAT Law or its Implementing Regulations, was lawful and justified.

Based on the above grounds, and based on the Common VAT Agreement, VAT Law and its Implementing Regulations, and the Tax Dispute and Violation Committee Procedures, and after deliberation, the Department unanimously decided to:

Decision

Plaintiff's claim is rejected, as Defendant's decision to impose the field inspection fine in question is found to be valid.

This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Jeddah

Decision No.: VJ-2022-388
Case No.: V-2021-60968

Key words:

Value Added Tax – Late Registration fine – Violation of VAT Law by the Plaintiff –
Authority's Decision Upheld – Plaintiff's Claim Rejected

Abstract

The Taxpayer seeks to annul ZATCA's decision regarding the late registration fine. The dispute revolves around the imposition of a 10,000 SAR fine for failing to register on time. Upon reviewing the details of the contested fine, which pertains to the late registration fine, the Department found that the Defendant based its decision on the fact that Plaintiff's revenue exceeded the mandatory registration threshold, according to data provided by the Saudi Central Bank. After examining the point-of-sale (POS) transaction data submitted by the Defendant, the Department confirmed that the Plaintiff had indeed exceeded the mandatory registration threshold. Accordingly, the Department dismisses Plaintiff's case.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- Paragraph (1), Article (3) of [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)
- Paragraph (1) of Article (50) of [the Common VAT Agreement of the States of the Gulf Cooperation Council \(GCC\) issued by Royal Decree No. \(M/51\) dated 03/05/1438 AH](#)
- [Implementing Regulations of the Value Added Tax Law, issued by Resolution of the Board of Directors of the General Authority of Zakat and Income -formerly- No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH corresponding to 14 November 2016](#)
- [Implementing Regulations of the Income Tax Law promulgated by Minister of Finance's Decision No. \(1535\) of 11/06/1425 AH](#)

Facts

Facts of the case are summed up in that, holder of National ID number (.....), in his capacity as the Owner of (... Enterprise), under Commercial Registration No. (...), the Plaintiff submitted a statement of claim objecting to Defendant's decision to impose a late registration fine. Upon presenting Plaintiff's statement of claim to Defendant's representative, he responded with a two-page defense memorandum, which was reviewed by the Department.



On Sunday, 20/02/2022, the First Department for Adjudication of Value Added Tax Violations and Disputes in Jeddah convened its first hearing via remote communication, in accordance with virtual litigation procedures, based on Clause (2) of Article Fifteen of Tax Violations and Disputes Committee Procedures, issued by Royal Decree No. (26040), dated 21/04/1441 AH. When the case was called, no representative of the Plaintiff was present, while (...) holding National ID No. (...) in his capacity as ZATCA's Representative by Authorization Letter No. (...), Issued by the Deputy Governor for Legal Affairs, and when the Defendant's representative was asked for a response, he stated that he adhered to the arguments presented in the defense memorandum submitted in case file. After reviewing the point-of-sale (POS) transaction data provided by the Defendant and determining that the case was ready for adjudication in accordance with Article (20) of Tax Violations and Disputes Committee Procedures, the Department decided to adjourn the session for deliberation, in preparation for issuing the final decision.

Grounds

After reviewing the Case documents, and upon thorough examination, and in light of the Income Tax Law promulgated by Royal Decree No. (M/1) dated 15/01/1425 AH, as amended and its Implementing Regulations issued pursuant to the Minister of Finance's Decision No. (1535) dated 11/6/1425 AH, as amended, Value Added Tax Law promulgated by Royal Decree No. (M/113) dated 02/11/1438 AH, as amended and the Implementing Regulations issued by the decision of GAZT's BOD No. (3839) dated 14/12/1438 AH, as amended, Tax Dispute and Violation Committee Procedures issued by Royal Decree No. (26040) dated 11/06/1441 AH, the Common VAT Agreement of GCC States, and all relevant laws and regulations;

In Form: Since the Plaintiff aims, through this claim, to annul Defendant's decision regarding the imposition of a late registration fine, and given that this dispute falls within the jurisdiction of the Committee for the Adjudication of Income Tax Violations and Disputes, in accordance with Royal Decree No. (26040), dated 21/04/1441 AH, and as the claim was filed by a party with legal standing and within the statutory timeframe, the Department finds it necessary to accept the claim in form.

On Merits: Upon reviewing the case documents and the responses of both parties, after granting them sufficient time to present their arguments, the Department established that the dispute revolves around the imposition of a late registration fine of 10,000 SAR, due to the Plaintiff exceeding the mandatory registration threshold and failing to register under the VAT law. Paragraph (1) of Article (50) of the Unified VAT Agreement for the Gulf Cooperation Council (GCC) States reads as follows: "A taxable person shall be required to register for the purposes of implementing this Agreement if: A. They are a resident in any of the Member States. B. The value of their annual supplies in that Member State exceeds or is expected to exceed the mandatory registration threshold." Paragraph (2) of the same article also states: "The mandatory registration threshold is 375,000 Saudi Riyals." Additionally, Paragraph (1) of Article (3) of the Value Added Tax (VAT) Law states: "A Taxable Person shall be obligated to register according to the Economic Activities carried out by the Taxable Person in the Kingdom and in accordance with the provisions stipulated in the Agreement" Upon reviewing the details of the contested fine, which pertains to the late registration fine, the Defendant based its decision on the fact that Plaintiff's revenue exceeded the mandatory registration threshold, as per data obtained from the Saudi Central Bank. After examining the point-of-sale (POS) transaction data



submitted by the Defendant, the Department confirmed that the Plaintiff had indeed exceeded the mandatory registration threshold. Accordingly, the Department finds Defendant's decision to impose the late registration fine to be valid and justified.

In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

Dismissal of Plaintiff's claim due to the validity of Defendant's decision to impose the late registration fine subject to the case.

This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Jeddah

Decision No.: VJ-2022-389
Case No.: V-2021-62403

Key words:

Value Added Tax – Field Inspection fine – Overcharging VAT – Validity of Defendant's Action – Authority's Decision Upheld – Plaintiff's Claim Rejected

Abstract

The Taxpayer seeks to annul ZATCA's decision regarding the imposition of a field inspection fine. The dispute revolves around the imposition of a 10,000 SAR fine for violating the provisions of the VAT Law and its Implementing Regulations by charging a higher tax than due. Upon reviewing the field inspection report and the attached invoice, the Department confirmed that the Plaintiff had violated the regulations by overcharging VAT. Accordingly, the Department dismisses Plaintiff's case.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- Paragraph (2) of Article (2), Paragraph (3) of [Article \(45\) of the Value Added Tax \(VAT\) Law, issued pursuant to Royal Decree No. \(M/113\), dated 02/11/1438 AH.](#)
- [Implementing Regulations of the Value Added Tax Law, issued by Resolution of the Board of Directors of the General Authority of Zakat and Income -formerly- No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH corresponding to 14 November 2016](#)
- [Common VAT Agreement of GCC States, November 2016.](#) Certified by Royal Decree No. (M/51), dated 03/05/1438 AH..

Facts

The facts of this case are summarized as follows: (...), holding National ID No. (...), in his capacity as the owner of (...) Establishment, under Commercial Registration No. (...), submitted a statement of claim objecting to Defendant's decision to impose a field inspection fine. Upon presenting Plaintiff's statement of claim to Defendant's representative, he responded with a one-page defense memorandum, which was reviewed by the Department.

On Sunday, 20/02/2022, the First Department for Adjudication of Value Added Tax Violations and Disputes in Jeddah convened its first hearing via remote communication, in accordance with virtual litigation procedures, based on Clause (2) of Article Fifteen of Tax Violations and Disputes Committee Procedures, issued by Royal Decree No. (26040), dated 21/04/1441 AH. When the case was called, no representative of the Plaintiff was present, while (...) holding National ID No. (...) in his capacity as ZATCA's Representative by Authorization Letter No. (...), issued by the Deputy Governor for Legal



Affairs, and when Defendant's representative was asked for a response, he stated that he adhered to the arguments presented in the defense memorandum submitted in case file. After reviewing the field inspection report and determining that the case was ready for adjudication in accordance with Article (20) of Tax Violations and Disputes Committee Procedures, the Department decided to clear the session for deliberation and issue the final decision.

Grounds

After reviewing the Case documents, and upon thorough examination, and in light of the Income Tax Law promulgated by Royal Decree No. (M/1) dated 15/01/1425 AH, as amended and its Implementing Regulations issued pursuant to the Minister of Finance's Decision No. (1535) dated 11/6/1425 AH, as amended, Value Added Tax Law promulgated by Royal Decree No. (M/113) dated 02/11/1438 AH, as amended and the Implementing Regulations issued by the decision of GAZT's BOD No. (3839) dated 14/12/1438 AH, as amended, Tax Dispute and Violation Committee Procedures issued by Royal Decree No. (26040) dated 11/06/1441 AH, the Common VAT Agreement of GCC States, and all relevant laws and regulations;

In Form: Since the Plaintiff aims, through this claim, to annul Defendant's decision regarding the imposition of a field inspection fine, and given that this dispute falls within the jurisdiction of the Committee for the Adjudication of Income Tax Violations and Disputes, in accordance with Royal Decree No. (26040), dated 21/04/1441 AH, and as the claim was filed by a party with legal standing and within the statutory timeframe, the Department finds it necessary to accept the claim in form.

On Merits: Upon reviewing the case documents and the responses of both parties, after granting them sufficient time to present their arguments, the Department established that the dispute revolves around the imposition of a fine of 10,000 SAR for violating the provisions of the VAT Law and its Implementing Regulations, specifically due to charging a higher tax than due. Paragraph (2) of Article (2) of the VAT Law states: "The tax shall be applied at a standard rate of (15%) on the value of supply or import, unless a provision for exemption or a zero rate applies, based on the provisions of the Law and its Regulations, to the specific supply." Furthermore, Clause (3) of Article (45) of the VAT Law stipulates:

"A fine not exceeding fifty thousand (50,000) riyals shall be imposed on any person who: ... 3. violates any other provision of the Law or the Regulations. Since the dispute revolves around Plaintiff's request to annul the fine of 10,000 SAR imposed for violating the VAT Law or its Implementing Regulations by charging a higher tax than due, and after reviewing the case facts, the field inspection report, and the attached invoice, the Department confirmed that the Plaintiff had indeed violated the regulations by overcharging VAT. Accordingly, the Department concludes that Defendant's decision to impose a fine of 10,000 SAR for violating the VAT Law or its Implementing Regulations was lawful and justified.

Based on the above, and in accordance with the Unified VAT Agreement, the VAT Law and its Implementing Regulations, and Tax Violations and Disputes Committee Procedures, the Department, after deliberation and by unanimous decision, rules as follows:

Decision



Plaintiff's claim is rejected, as Defendant's decision to impose the field inspection fine in question is found to be valid.

This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Jeddah

Decision No.: VJ-2022-391
Case No.: V-2021-66913

Key words:

Value Added Tax – Field Inspection fine – Undercharging VAT – Authority’s Decision Upheld – Plaintiff’s Claim Rejected

Abstract

The Taxpayer seeks to annul ZATCA’s decision regarding the imposition of a field inspection fine. The dispute revolves around the imposition of a 10,000 SAR fine for violating the provisions of the VAT Law and its Implementing Regulations by charging less VAT than due. Upon review, the Department confirmed that the Plaintiff failed to include the municipal fee of 2.5% on the total amount, and subsequently, did not apply the 5% VAT rate on the total amount, which should have included the municipal fee. Accordingly, the Department decided to dismiss Plaintiff’s case.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- Paragraph (2) of Article (2) and Paragraph (3) of [Article \(45\) of the Value Added Tax \(VAT\) Law, issued pursuant to Royal Decree No. \(M/113\), dated 02/11/1438 AH.](#)
- Paragraph (8) of Article (53) of [the Implementing Regulations of Value Added Tax Law issued by the General Authority of Zakat and Tax \(formerly\) Board of Directors Decision No. \(3839\) dated Dhu Al-Hijjah 14, 1438 AH corresponding to November 14, 2016 AD](#)
- [Common VAT Agreement of GCC States, November 2016.](#) Certified by Royal Decree No. (M/51), dated 03/05/1438 AH..

Facts

The facts of this case are summed up in that Company, Commercial Register No. (...), represented by (...), holder of National ID No. (...), As the legal representative of the Plaintiff company, pursuant to the Articles of Incorporation, he submitted a statement of claim objecting to Defendant's decision to impose a field inspection fine. Upon presenting Plaintiff's statement of claim to Defendant's representative, he responded with a three-page defense memorandum, which was reviewed by the Department.

On Sunday, 20/02/2022, the First Department for Adjudication of Value Added Tax Violations and Disputes in Jeddah convened its first hearing via remote communication, in accordance with virtual litigation procedures, based on Clause (2) of Article Fifteen of Tax Violations and Disputes Committee Procedures, issued by Royal Decree No. (26040), dated 21/04/1441 AH. When the case was called, no representative of the Plaintiff



was present, while (...) holding National ID No. (...) in his capacity as ZATCA's Representative by Authorization Letter No. (...), dated (.....) Issued by the Deputy Governor for Legal Affairs, and when Defendant's representative was asked for a response, he stated that he adhered to the arguments presented in the defense memorandum submitted in case file. Upon reviewing the field inspection report and the attached invoice, the Department confirmed that the Plaintiff had charged a lower VAT rate than the standard rate, after including the municipal fee in the total invoice value. Since the case was deemed ready for adjudication, in accordance with Article (20) of Tax Violations and Disputes Committee Procedures, the Department decided to clear the session for deliberation and issue the final decision.

Grounds

After reviewing the Case documents, and upon thorough examination, and in light of the Income Tax Law promulgated by Royal Decree No. (M/1) dated 15/01/1425 AH, as amended and its Implementing Regulations issued pursuant to the Minister of Finance's Decision No. (1535) dated 11/6/1425 AH, as amended, Value Added Tax Law promulgated by Royal Decree No. (M/113) dated 02/11/1438 AH, as amended and the Implementing Regulations issued by the decision of GAZT's BOD No. (3839) dated 14/12/1438 AH, as amended, Tax Dispute and Violation Committee Procedures issued by Royal Decree No. (26040) dated 11/06/1441 AH, the Common VAT Agreement of GCC States, and all relevant laws and regulations;

In Form: The Plaintiff aimed, through its claim, to annul Defendant's decision regarding the imposition of a field inspection fine. Given that this dispute falls within the jurisdiction of the Committee for the Adjudication of Income Tax Violations and Disputes, in accordance with Royal Decree No. (26040), dated 21/04/1441 AH, and since the claim was filed by a party with legal standing and within the statutory timeframe, the Department finds it necessary to accept the claim in form.

On Merits: Upon reviewing the case documents and the responses of both parties, after granting them sufficient time to present their arguments, the Department established that the dispute revolves around the imposition of a fine of 10,000 SAR for violating the provisions of the VAT Law and its Implementing Regulations by charging less VAT than due. Paragraph (2) of Article (2) of the VAT Law states: "The tax shall be applied at a standard rate of (5%) on the value of supply or import, unless a provision for exemption or a zero rate applies, based on the provisions of the Law and its Regulations, to the specific supply." Additionally, Paragraph (8) of Article (53) of the Implementing Regulations of the VAT Law, related to tax invoices, states: "A simplified tax invoice must include the following details:" The tax due or a statement indicating that the total amount includes tax concerning the supply of goods or services. In addition, Paragraph (3) of Article (45) of the Value Added Tax Law stipulates that: "A fine not exceeding (50,000) fifty thousand SAR shall be imposed on any person who:" 3. violates any other provision of the Law or the Regulations. Since the dispute revolves around Plaintiff's request to annul the fine of 10,000 SAR imposed for violating the VAT Law or its Implementing Regulations by charging less VAT than due, and after reviewing the case facts, the attached invoice, and the field inspection report dated 18/07/2021, which explicitly stated the nature of the violation as: "Charging less VAT than due." The Department confirmed that the Plaintiff failed to include the municipal fee of 2.5% on the total amount and subsequently did not apply the 5% VAT rate on the total amount, which should have included the municipal fee. Accordingly, the Department finds Defendant's decision to impose the fine of 10,000 SAR for violating the VAT Law or its Implementing Regulations to be valid and justified.



Based on the above grounds, and based on the Common VAT Agreement, VAT Law and its Implementing Regulations, and the Tax Dispute and Violation Committee Procedures, and after deliberation, the Department unanimously decided to:

Decision

Plaintiff's claim is rejected, as Defendant's decision to impose the field inspection fine in question is found to be valid.

This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and Disputes
First Department for Determination of
in Jeddah

Decision No.: VJ-2022-394
Case No.: V-2021-49216

Key words:

Value Added Tax – Field Inspection fine – Issuance of an Invoice by an Unregistered Person – Authority’s Decision Upheld – Plaintiff’s Claim Rejected

Abstract

The Taxpayer seeks to annul ZATCA’s decision regarding the imposition of a field inspection fine. The dispute revolves around the imposition of a 10,000 SAR fine for violating the provisions of the VAT Law and its Implementing Regulations by issuing an invoice from an unregistered person. Upon reviewing the attached invoices and the field inspection report, the Department confirmed that the Plaintiff had applied VAT on tax invoices despite not being registered. Accordingly, the Department dismisses Plaintiff’s case.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- Paragraph (3), Article (45) of [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- Article (2) of [the Implementing Regulations of Value Added Tax Law issued by resolution of the Board of Directors of ZATCA No. \(3839\) dated 14 Dhul-Hijjah 1438 AH \(corresponding to November 14, 2016\).](#)
- [Common VAT Agreement of GCC States, November 2016.](#) Certified by Royal Decree No. (M/51), dated 03/05/1438 AH..

Facts

The facts of this case are summed up in that Mr....., holder of National ID No., in his capacity as an representative under Power of Attorney No. (...), he submitted a statement of claim objecting to Defendant's decision to impose a field inspection fine. Upon presenting Plaintiff's statement of claim to Defendant's representative, he responded with a one-page defense memorandum, which was reviewed by the Department. On Monday, 21/02/2022, the First Department for Adjudication of Value Added Tax Violations and Disputes in Jeddah convened its first hearing via remote communication, in accordance with virtual litigation procedures, based on Clause (2) of Article (25) of Tax Violations and Disputes Committee Procedures, issued by Royal Decree No. (26040), dated: dated 21/04/1441 AH. When the case was called, no representative of the Plaintiff was present, while (...) holding National ID No. (...) in his capacity as ZATCA’s Representative by Authorization Letter No. (.....), dated (.....) issued by the Deputy



Governor for Legal Affairs, and when Defendant's representative was asked for a response, he stated that he adhered to the arguments presented in the defense memorandum submitted in case file. Since the case was deemed ready for adjudication, in accordance with Article (20) of Tax Violations and Disputes Committee Procedures, the Department proceeded with the review. Therefore, the Department decided to adjourn the session for deliberation and adjudication.

Grounds

After reviewing the Case documents, and upon thorough examination, and in light of the Income Tax Law promulgated by Royal Decree No. (M/1) dated 15/01/1425 AH, as amended and its Implementing Regulations issued pursuant to the Minister of Finance's Decision No. (1535) dated 11/6/1425 AH, as amended, Value Added Tax Law promulgated by Royal Decree No. (M/113) dated 02/11/1438 AH, as amended and the Implementing Regulations issued by the decision of GAZT's BOD No. (3839) dated 14/12/1438 AH, as amended, Tax Dispute and Violation Committee Procedures issued by Royal Decree No. (26040) dated 11/06/1441 AH, the Common VAT Agreement of GCC States, and all relevant laws and regulations;

In Form: Since the Plaintiff aims, through this claim, to annul Defendant's decision regarding the imposition of a field inspection fine, and given that this dispute falls within the jurisdiction of the Committee for the Adjudication of Income Tax Violations and Disputes, in accordance with Royal Decree No. (26040), dated 21/04/1441 AH, and as the claim was filed by a party with legal standing and within the statutory timeframe, the Department finds it necessary to accept the claim in form.

On Merits: Upon reviewing the case documents and the responses of both parties, after granting them sufficient time to present their arguments, the Department established that the dispute revolves around the imposition of a fine of 10,000 SAR for violating the provisions of the VAT Law and its Implementing Regulations by issuing an invoice from an unregistered person. Article (2) of the Implementing Regulations of the VAT Law states: ““For the purposes of the Law and these Regulations, a Taxable Person in the Kingdom is a Person who conducts an Economic Activity independently for generating income, and is registered for VAT in the Kingdom or who is required to register for VAT in the Kingdom under the Law or these Regulations.” In addition, Paragraph (3) of Article (45) of the Value Added Tax Law stipulates that: "A fine not exceeding (50,000) fifty thousand SAR shall be imposed on any person who:" 3. violates any other provision of the Law or the Regulations. Since the dispute revolves around Plaintiff's request to annul the fine of 10,000 SAR imposed for violating the VAT Law or its Implementing Regulations by issuing an invoice from an unregistered person, and after reviewing the case facts, the attached invoices, and the field inspection report, the Department confirmed that the Plaintiff had applied VAT on tax invoices despite not being registered.

Based on the above grounds, and based on the Common VAT Agreement, VAT Law and its Implementing Regulations, and the Tax Dispute and Violation Committee Procedures, and after deliberation, the Department unanimously decided to:

Decision

Plaintiff's claim is rejected, as Defendant's decision to impose the field inspection fine in question is found to be valid.



This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department for Determination of
in Jeddah

Decision No.: VJ-2022-401
Case No.: V-2021-68889

Key words:

Value Added Tax – Obligation of the Defendant to Pay VAT – Late Payment fine – Tax
Periods – Plaintiff's Claim Accepted

Abstract

ZATCA demands that the Taxpayer pay an amount of 169,351.55 SAR, representing VAT and late payment fines for the tax periods of June, July, and November 2019. The Plaintiff claims that the Defendant was contacted multiple times over different periods and was notified of the payment obligation, but failed to comply. Upon review, the Department confirmed that the Defendant did not fulfill its tax obligations within the statutory deadline, despite multiple notifications regarding the necessity of payment. Conclusion, Plaintiff's claim is accepted, and the Defendant is obligated to pay an amount of 169,351.55 SAR, representing the total tax liabilities under dispute.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Article 43 of the Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- [Article \(14\) of the State Revenue Law, issued by Royal Decree No. \(M/68\) dated 18/11/1431 AH.](#)
- [Article \(59\) of the Implementing Regulations of Value Added Tax Law issued by resolution of the Board of Directors of ZATCA No. \(3839\) dated 14 Dhul-Hijjah 1438 AH \(corresponding to November 14, 2016\).](#)
- [The Common Agreement for Value Added Tax of the Gulf Cooperation Council \(GCC\), November 2016, ratified by Royal Decree No. \(M/51\) dated 03/05/1438 AH.](#)

Facts

The facts of this case are summarized as follows: The Plaintiff, Zakat, Tax, and Customs Authority, submitted a statement of claim requesting that the Defendant, Company (...), with Commercial Registration No. (...), be ordered to pay an amount of 169,351.55 SAR, representing Value Added Tax (VAT) and late payment fines for the tax periods of June, July, and November 2019.

On Sunday, 20/02/2022, the First Department for Adjudication of Value Added Tax Violations and Disputes in Jeddah convened its first hearing via remote communication, in accordance with virtual litigation procedures, based on Clause (2) of Article Fifteen of



Tax Violations and Disputes Committee Procedures, issued by Royal Decree No. (26040), dated 21/04/1441 AH. When the case was called, (...), holding National ID No. (...), attended in his capacity as a representative of Zakat, Tax, and Customs Authority, under Authorization Letter No. (...), dated (...), issued by the Deputy Governor for Legal Affairs. No representative of the Defendant was present. When asked about Plaintiff's claim, Plaintiff's representative affirmed the contents of the statement of claim submitted to the General Secretariat of Zakat, Tax, and Customs Committees, and insisted on its arguments. Since the case was deemed ready for adjudication, in accordance with Article (20) of Tax Violations and Disputes Committee Procedures, the Department proceeded with the review. Therefore, the Department decided to adjourn the session for deliberation and adjudication.

Grounds

After reviewing the Case documents, and upon thorough examination, and in light of the Income Tax Law promulgated by Royal Decree No. (M/1) dated 15/01/1425 AH, as amended and its Implementing Regulations issued pursuant to the Minister of Finance's Decision No. (1535) dated 11/6/1425 AH, as amended, Value Added Tax Law promulgated by Royal Decree No. (M/113) dated 02/11/1438 AH, as amended and the Implementing Regulations issued by the decision of GAZT's BOD No. (3839) dated 14/12/1438 AH, as amended, Tax Dispute and Violation Committee Procedures issued by Royal Decree No. (26040) dated 11/06/1441 AH, the Common VAT Agreement of GCC States, and all relevant laws and regulations;

In Form: Since the Plaintiff aims, through this claim, to demand that the Defendant pay Value Added Tax (VAT) and late payment fines for the tax periods under dispute, and given that this dispute falls within the jurisdiction of the Committee for the Adjudication of Income Tax Violations and Disputes, in accordance with Royal Decree No. (26040), dated 21/04/1441 AH, and as the claim was filed by a party with legal standing and within the statutory timeframe, the Department finds it necessary to accept the claim in form.

On Merits: Upon reviewing the case documents and the responses of both parties, after granting them sufficient time to present their arguments, the Department established that the dispute revolves around the Plaintiff (ZATCA) demanding the Defendant (the Company) to pay VAT and fines for the disputed tax periods, totaling 169,351.55 SAR. This claim is based on Article (59) of the Implementing Regulations of the VAT Law and Article (43) of the VAT Law. The Plaintiff asserts that the Defendant was contacted multiple times over different periods and was notified of the payment obligation, yet failed to comply. As a result, the case was referred to the tax committees, as they are the competent authority responsible for obligating the Defendant to pay the outstanding dues in accordance with Article (14) of the State Revenue Law, issued by Royal Decree No. (M/68), dated 18/11/1431 AH, which states: "If the debtor does not pay the outstanding debt within the period mentioned in Article (13), they shall be given a final notice to make payment within fifteen (15) working days. If this period lapses without payment, the relevant authority must take the necessary measures before the competent Department to seize the debtor's assets up to the amount of the debt owed." The Defendant failed to provide a response to the dispute despite being notified by the General Secretariat that a claim had been filed against it by ZATCA, requiring a response. Furthermore, the Defendant was found to be in violation of Article (59) of the Implementing Regulations of the VAT Law, which states: "A taxable person must pay the VAT due for the tax period no later than the last day of the month following the end of that tax period." Since the



Defendant did not fulfill its tax obligations within the statutory deadline, despite multiple notifications reminding it of the need for payment, this constitutes negligence and failure in fulfilling its tax obligations toward state revenues. Accordingly, the Department accepts Plaintiff's claim.

Based on the above grounds, and based on the Common VAT Agreement, VAT Law and its Implementing Regulations, and the Tax Dispute and Violation Committee Procedures, and after deliberation, the Department unanimously decided to:

Decision

Acceptance of Plaintiff's claim and obligating the Defendant to pay an amount of SAR 169,351.55, representing the total value of the tax financial claims subject to the case.

This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Jeddah

Decision No.: VJ-2022-402
Case No.: V-2021-69142

Key words:

Value Added Tax – Obligation of the Defendant to Pay VAT – Late Payment fine – Tax
Periods – Plaintiff's Claim Accepted

Abstract

ZATCA demands that the Defendant be obligated to pay an amount of 385,523.76 SAR, representing Value Added Tax (VAT) and late payment fines for the following tax periods: Q1, Q2, Q3, and Q4 of 2018, Q1 and Q3 of 2019 and Q1 of 2020. The Plaintiff asserts that the Defendant was contacted multiple times over different periods and was notified of the payment obligation, yet failed to comply. Upon review, the Department confirmed that the Defendant did not fulfill its tax obligations within the statutory deadline, despite multiple notifications reminding it of the need for payment. This constitutes negligence and failure in fulfilling its tax obligations toward state revenues. Conclusion: Plaintiff's claim is accepted.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Decree No. \(26040\) dated 21/04/1441 AH](#)
- [Article 43 of the Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- [Article \(14\) of the State Revenue Law, issued by Royal Decree No. \(M/68\) dated 18/11/1431 AH.](#)
- [Article \(59\) of the Implementing Regulations of Value Added Tax Law issued by resolution of the Board of Directors of ZATCA No. \(3839\) dated 14 Dhul-Hijjah 1438 AH \(corresponding to November 14, 2016\).](#)
- [The Common Agreement for Value Added Tax of the Gulf Cooperation Council \(GCC\), November 2016](#), ratified by Royal Decree No. (M/51) dated 03/05/1438 AH.

Facts

The facts of this case are summarized as follows: The Plaintiff, Zakat, Tax, and Customs Authority, submitted a statement of claim requesting that the Defendant (...), with Commercial Registration No. (...), be obligated to pay an amount of 385,523.76 SAR, representing Value Added Tax (VAT) and late payment fines for the following tax periods: Q1, Q2, Q3, and Q4 of 2018, Q1 and Q3 of 2019 and Q1 of 2020.



On Sunday, 20/02/2022, the First Department for Adjudication of Value Added Tax Violations and Disputes in Jeddah convened its first hearing via remote communication, in accordance with virtual litigation procedures, based on Clause (2) of Article Fifteen of Tax Violations and Disputes Committee Procedures, issued by Royal Decree No. (26040), dated 21/04/1441 AH. Upon calling the parties to the case, the Plaintiff (...) appeared, holding National ID No. (...) in his capacity as ZATCA's Representative by Authorization Letter No. (...), Dated 08/03/1442 AH, issued by the Deputy Governor for Legal Affairs. The Defendant did not appear. When asked about Plaintiff's claim, Plaintiff's representative affirmed the contents of the statement of claim submitted to the General Secretariat of Zakat, Tax, and Customs Committees and insisted on its arguments. Since the case was deemed ready for adjudication, in accordance with Article (20) of Tax Violations and Disputes Committee Procedures, the Department proceeded with the review. Therefore, the Department decided to adjourn the session for deliberation and adjudication.

Grounds

After reviewing the Case documents, and upon thorough examination, and in light of the Income Tax Law promulgated by Royal Decree No. (M/1) dated 15/01/1425 AH, as amended and its Implementing Regulations issued pursuant to the Minister of Finance's Decision No. (1535) dated 11/6/1425 AH, as amended, Value Added Tax Law promulgated by Royal Decree No. (M/113) dated 02/11/1438 AH, as amended and the Implementing Regulations issued by the decision of GAZT's BOD No. (3839) dated 14/12/1438 AH, as amended, Tax Dispute and Violation Committee Procedures issued by Royal Decree No. (26040) dated 11/06/1441 AH, the Common VAT Agreement of GCC States, and all relevant laws and regulations;

In Form: Since the Plaintiff aims, through this claim, to demand that the Defendant pay Value Added Tax (VAT) and late payment fines for the tax periods under dispute, and given that this dispute falls within the jurisdiction of the Committee for the Adjudication of Income Tax Violations and Disputes, in accordance with Royal Decree No. (26040), dated 21/04/1441 AH, and as the claim was filed by a party with legal standing and within the statutory timeframe, the Department finds it necessary to accept the claim in form.

On Merits: Upon reviewing the case documents and the responses of both parties, after granting them sufficient time to present their arguments, the Department established that the dispute revolves around the Plaintiff (ZATCA) demanding the Defendant to pay VAT and fines for the disputed tax periods, totaling 385,523.76 SAR. This claim is based on Article (59) of the Implementing Regulations of the VAT Law and Article (34) of the VAT Law. The Plaintiff asserts that the Defendant was contacted multiple times over different periods and was notified of the payment obligation, yet failed to comply. As a result, the case was referred to the tax committees, as they are the competent authority responsible for obligating the Defendant to pay the outstanding dues, in accordance with Article (14) of the State Revenue Law, issued by Royal Decree No. (M/68), dated 18/11/1431 AH, which states: "If the debtor does not pay the outstanding debt within the period mentioned in Article (13), they shall be given a final notice to make payment within fifteen (15) working days. If this period lapses without payment, the relevant authority must take the necessary measures before the competent Department to seize the debtor's assets up to the amount of the debt owed." The Defendant failed to provide a response to the dispute despite being notified by the General Secretariat that a claim had been filed against it by ZATCA, requiring a response. Furthermore, the Defendant was found to be in violation



of Article (59) of the Implementing Regulations of the VAT Law, which states: "A taxable person must pay the VAT due for the tax period no later than the last day of the month following the end of that tax period." Since the Defendant did not fulfill its tax obligations within the statutory deadline, despite multiple notifications reminding it of the need for payment, this constitutes negligence and failure in fulfilling its tax obligations toward state revenues. Accordingly, the Department ruled to accept Plaintiff's case.

Based on the above, and in accordance with the Unified VAT Agreement, the VAT Law and its Implementing Regulations, and Tax Violations and Disputes Committee Procedures, the Department, after deliberation and by unanimous decision, rules as follows:

Decision

Plaintiff's claim (Zakat, Tax, and Customs Authority) is accepted, and the Defendant is obligated to pay the amount of 385,523.76 SAR, representing the total tax liabilities under dispute.

This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate Value Added Tax Violations
and Disputes
in Jeddah

Decision No.: VJ-2022-502
Case No.: V-2021-57813

Key words:

Value Added Tax – Field Inspection fine – Charging VAT on Healthcare Services for
Citizens – Authority’s Decision Upheld

Abstract

The Taxpayer seeks to annul ZATCA’s decision regarding the imposition of a field inspection fine. The dispute revolves around the imposition of a 10,000 SAR fine for violating the provisions of the VAT Law or its Implementing Regulations by charging VAT on healthcare services provided to a citizen. The Department confirmed, based on Clause Seven of Royal Decree No. (A/86), that the state is responsible for bearing the VAT on private healthcare and private education services for citizens. Upon reviewing the invoices submitted by the Defendant, the Department verified that VAT was indeed charged to citizens for healthcare services. Accordingly, the Department dismisses Plaintiff’s case.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- Clause (7) of [Royal Order No. \(A/86\) dated 18/04/1439 AH](#)
- Article 45 of [the Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- [Implementing Regulations of the Value Added Tax Law, issued by Resolution of the Board of Directors of the General Authority of Zakat and Income -formerly- No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH corresponding to 14 November 2016](#)
- [Common VAT Agreement of GCC States, November 2016.](#)

Facts

Facts of the case are summed up in that, holder of National ID number (....), In his capacity as the legal representative of the company, pursuant to the Articles of Incorporation attached to case file, he submitted a statement of claim objecting to Defendant's decision to impose a field inspection fine. Upon presenting Plaintiff's statement of claim to Defendant's representative, he responded with a one-page defense memorandum. In response, the Plaintiff submitted a one-page rebuttal memorandum, which was reviewed by the Department.

On Tuesday, 08/03/2022, the First Department for Adjudication of Value Added Tax Violations and Disputes in Jeddah convened its first hearing via remote communication, in accordance with virtual litigation procedures, based on Clause (2) of Article Fifteen of



Tax Violations and Disputes Committee Procedures, issued by Royal Decree No. (26040), dated: dated 21/04/1441 AH. When the case was called, no representative of the Plaintiff was present, while (...) holding National ID No. (...) in his capacity as ZATCA's Representative by Authorization Letter No. (.....), dated (.....) issued by the Deputy Governor for Legal Affairs, and when Defendant's representative was asked for a response, he stated that he adhered to the arguments presented in the defense memorandum submitted in case file. Since the case was deemed ready for adjudication, in accordance with Article (20) of Tax Violations and Disputes Committee Procedures, the Department proceeded with the review. Therefore, the Department decided to adjourn the session for deliberation and adjudication.



Grounds

After reviewing the Case documents, and upon thorough examination, and in light of the Income Tax Law promulgated by Royal Decree No. (M/1) dated 15/01/1425 AH, as amended and its Implementing Regulations issued pursuant to the Minister of Finance's Decision No. (1535) dated 11/6/1425 AH, as amended, Value Added Tax Law promulgated by Royal Decree No. (M/113) dated 02/11/1438 AH, as amended and the Implementing Regulations issued by the decision of GAZT's BOD No. (3839) dated 14/12/1438 AH, as amended, Tax Dispute and Violation Committee Procedures issued by Royal Decree No. (26040) dated 11/06/1441 AH, the Common VAT Agreement of GCC States, and all relevant laws and regulations;

In Form: Since the Plaintiff aims, through this claim, to annul Defendant's decision regarding the imposition of a field inspection fine, and given that this dispute falls within the jurisdiction of the Committee for the Adjudication of Income Tax Violations and Disputes, in accordance with Royal Decree No. (26040), dated 21/04/1441 AH, and as the claim was filed by a party with legal standing and within the statutory timeframe, the Department finds it necessary to accept the claim in form.

On Merits: Upon reviewing the case documents and the responses of both parties, after granting them sufficient time to present their arguments, the Department established that the dispute revolves around the imposition of a fine of 10,000 SAR for violating the provisions of the VAT Law or its Implementing Regulations by charging VAT on healthcare services provided to a citizen. Clause Seven of Royal Decree No. (A/86), dated 18/04/1439 AH, states: "The state shall bear the Value Added Tax (VAT) on behalf of citizens benefiting from private healthcare and private education services." Upon reviewing the invoices submitted by the Defendant, the Department verified that VAT was indeed charged to citizens for healthcare services. Furthermore, Paragraph Three of Article Forty-Five of the VAT Law states: "A fine not exceeding (50,000) fifty thousand SAR shall be imposed on any person who:" 3. violates any other provision of the Law or the Regulations". Accordingly, the Department concludes to uphold Defendant's action in imposing the field inspection fine.

Based on the above, and in accordance with the Unified VAT Agreement, the VAT Law and its Implementing Regulations, and Tax Violations and Disputes Committee Procedures, the Department, after deliberation and by unanimous decision, rules as follows:

Decision



Plaintiff's claim is rejected, as Defendant's decision to impose the field inspection fine in question is found to be valid.

This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

Appellate

The Appellate Committee decided to uphold the appealed decision.



Committee for Determination of Tax Violations and Disputes
First Department for to Adjudicate Value Added Tax Violations and
Disputes
in Jeddah

Decision No.: VJ-2022-531
Case No.: V-2021-60593

Key words:

Value Added Tax – Field Inspection fine – Undercharging VAT – Authority's Decision Upheld – Plaintiff's Claim Rejected

Abstract

The Taxpayer seeks to annul ZATCA's decision regarding the imposition of a field inspection fine. The dispute revolves around Plaintiff's objection to Defendant's decision to impose a 10,000 SAR fine for violating the VAT Law or its Implementing Regulations by charging less VAT than due. The Department confirmed, based on Article (2) of the VAT Law, that the standard VAT rate of 5% applies to the value of supply or import, unless an exemption or zero rate is specified. Upon reviewing the field inspection report, signed by the Taxpayer's representative, and the attached invoice submitted by the Defendant, the Department verified Plaintiff's violation. Accordingly, the Department dismisses Plaintiff's case.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- Paragraph (2) of Article (2) and Paragraph (3) of Article (45) of [the Value Added Tax \(VAT\) Law, issued pursuant to Royal Decree No. \(M/113\), dated 02/11/1438 AH.](#)
- [Implementing Regulations of the Value Added Tax Law, issued by Resolution of the Board of Directors of the General Authority of Zakat and Income -formerly- No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH corresponding to 14 November 2016](#)
- [Common VAT Agreement of GCC States, November 2016.](#) Certified by Royal Decree No. (M/51), dated 03/05/1438 AH..

Facts

Facts of the case are summed up in that, holder of National ID number (.....), in his capacity as the owner of (...) Establishment, under Commercial Registration No. (...), submitted a statement of claim objecting to Defendant's decision to impose a field inspection fine. Upon presenting Plaintiff's statement of claim to Defendant's representative, he responded with a one-page defense memorandum, which was reviewed by the Department.

On Wednesday, 09/03/2022, the First Department to Adjudicate Value Added Tax Violations and Disputes in Jeddah convened its first hearing via remote communication, in accordance with virtual litigation procedures, based on Clause (2) of Article (15) of Tax



Violations and Disputes Committee Procedures, issued by Royal Decree No. (26040), dated: dated 21/04/1441 AH. When the case was called, no representative of the Plaintiff was present, while (...) holding National ID No. (...) in his capacity as ZATCA's Representative by Authorization Letter No. (.....), dated (.....) issued by the Deputy Governor for Legal Affairs, and when Defendant's representative was asked for a response, he stated that he adhered to the arguments presented in the defense memorandum submitted in case file. Since the case was deemed ready for adjudication, in accordance with Article (20) of Tax Violations and Disputes Committee Procedures, the Department proceeded with the review. Therefore, the Department decided to adjourn the session for deliberation and adjudication.

Grounds

After reviewing the Case documents, and upon thorough examination, and in light of the Income Tax Law promulgated by Royal Decree No. (M/1) dated 15/01/1425 AH, as amended and its Implementing Regulations issued pursuant to the Minister of Finance's Decision No. (1535) dated 11/6/1425 AH, as amended, Value Added Tax Law promulgated by Royal Decree No. (M/113) dated 02/11/1438 AH, as amended and the Implementing Regulations issued by the decision of GAZT's BOD No. (3839) dated 14/12/1438 AH, as amended, Tax Dispute and Violation Committee Procedures issued by Royal Decree No. (26040) dated 11/06/1441 AH, the Common VAT Agreement of GCC States, and all relevant laws and regulations;

In Form: Since the Plaintiff aims, through this claim, to annul Defendant's decision regarding the imposition of a field inspection fine, and given that this dispute falls within the jurisdiction of the Committee for the Adjudication of Income Tax Violations and Disputes, in accordance with Royal Decree No. (26040), dated 21/04/1441 AH, and as the claim was filed by a party with legal standing and within the statutory timeframe, the Department finds it necessary to accept the claim in form.

On Merits: Upon reviewing the case documents and the responses of both parties, after granting them sufficient time to present their arguments, the Department established that the dispute revolves around Plaintiff's objection to Defendant's decision to impose a 10,000 SAR fine for violating the VAT Law or its Implementing Regulations by charging less VAT than due. Paragraph (2) of Article (2) of the VAT Law states: "The tax shall be applied at a standard rate of (5%) on the value of supply or import, unless a provision for exemption or a zero rate applies, based on the provisions of the Law and its Regulations, to the specific supply." In addition, Paragraph (3) of Article (45) of the Value Added Tax Law stipulates that: "A fine not exceeding (50,000) fifty thousand SAR shall be imposed on any person who: 3. violates any other provision of the Law or the Regulations". Upon reviewing the field inspection report, signed by the Taxpayer's representative, and the attached invoice submitted by the Defendant, the Department confirmed Plaintiff's violation of the above provisions. Accordingly, the Department upholds Defendant's decision to impose the fine under dispute.

Based on the above, and in accordance with the Unified VAT Agreement, the VAT Law and its Implementing Regulations, and Tax Violations and Disputes Committee Procedures, the Department, after deliberation and by unanimous decision, rules as follows:

Decision



Plaintiff's claim is rejected, as Defendant's decision to impose the field inspection fine in question is found to be valid.

This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate Value Added Tax Violations
and Disputes
in Jeddah

Decision No.: VJ-2022-609
Case No.: V-2021-68541

Key words:

Value Added Tax – Field Inspection fine – Failure to Include VAT Payable in the Invoice
– Failure to Indicate That the Price Includes VAT – Plaintiff's Claim Rejected

Abstract

The Taxpayer seeks to annul ZATCA's decision regarding the imposition of a field inspection fine. The dispute revolves around Plaintiff's objection to Defendant's decision to impose a 10,000 SAR fine for violating the VAT Law or its Implementing Regulations by failing to include VAT payable in the invoice or indicate that the price includes VAT. Upon reviewing the field inspection report and the invoices attached to Defendant's defense memorandum, the Department confirmed that the invoices did not include the VAT payable or indicate that the price includes VAT, as documented in the field inspection report. Accordingly, the Department decided to dismiss Plaintiff's case.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- Paragraph (2) of Article (2), Paragraph (1) of Article (23), and Article (45) of [the Value Added Tax \(VAT\) Law, issued pursuant to Royal Decree No. \(M/113\), dated 02/11/1438 AH.](#)
- Paragraph (8) of Article (53) of [the Implementing Regulations of the VAT Law, issued pursuant to Decision No. \(3839\) of the Board of Directors of the General Authority of Zakat and Tax \(formerly\), dated 14 Dhul-Hijjah 1438 AH \(corresponding to November 14, 2016\).](#)
- [Common VAT Agreement of GCC States, November 2016.](#) Certified by Royal Decree No. (M/51), dated 03/05/1438 AH..

Facts

Facts of the case are summed up in that, holder of National ID number (.....), in her capacity as the owner of (...) Establishment, under Commercial Registration No. (...), submitted a statement of claim objecting to Defendant's decision to impose a field inspection fine. Upon presenting Plaintiff's statement of claim to Defendant's representative, he responded with a one-page defense memorandum, which was reviewed by the Department.



On Tuesday, 22/03/2022, the First Department for Adjudication of Value Added Tax Violations and Disputes in Jeddah convened its first hearing via remote communication, in accordance with virtual litigation procedures, based on Clause (2) of Article Fifteen of Tax Violations and Disputes Committee Procedures, issued by Royal Decree No. (26040), dated: 21/04/1441 AH; when the case was called, neither the Plaintiff nor their representative was present. However, (...), holding National ID No. (...), attended in his capacity as a representative of Zakat, Tax, and Customs Authority, under Authorization Letter No. (...), dated (...). issued by the Deputy Governor for Legal Affairs, and when Defendant's representative was asked for a response, he stated that he adhered to the arguments presented in the defense memorandum submitted in case file. Since the case was deemed ready for adjudication, in accordance with Article (20) of Tax Violations and Disputes Committee Procedures, the Department proceeded with the review. Therefore, the Department decided to adjourn the session for deliberation and adjudication.

Grounds

After reviewing the Case documents, and upon thorough examination, and in light of the Income Tax Law promulgated by Royal Decree No. (M/1) dated 15/01/1425 AH, as amended and its Implementing Regulations issued pursuant to the Minister of Finance's Decision No. (1535) dated 11/6/1425 AH, as amended, Value Added Tax Law promulgated by Royal Decree No. (M/113) dated 02/11/1438 AH, as amended and the Implementing Regulations issued by the decision of GAZT's BOD No. (3839) dated 14/12/1438 AH, as amended, Tax Dispute and Violation Committee Procedures issued by Royal Decree No. (26040) dated 11/06/1441 AH, the Common VAT Agreement of GCC States, and all relevant laws and regulations;

In Form: Since the Plaintiff aims, through this claim, to annul Defendant's decision regarding the imposition of a field inspection fine, and given that this dispute falls within the jurisdiction of the Committee for the Adjudication of Income Tax Violations and Disputes, in accordance with Royal Decree No. (26040), dated 21/04/1441 AH, and as the claim was filed by a party with legal standing and within the statutory timeframe, the Department finds it necessary to accept the claim in form.

On Merits: Upon reviewing the case documents and the responses of both parties—after granting them sufficient time to present their arguments—the Department established that the dispute revolves around Plaintiff's objection to Defendant's decision to impose a 10,000 SAR fine for violating the VAT Law or its Implementing Regulations by failing to include VAT payable in the invoice or indicate that the price includes VAT. The Plaintiff argues that the fine should be canceled on the grounds that there was a malfunction in the cash register, which prevented the VAT amount from appearing, despite the presence of the tax registration number. Paragraph (2) of Article (2) of the VAT Law states: "The tax shall be applied at a standard rate of (15%) on the value of supply or import, unless a provision for exemption or a zero rate applies, based on the provisions of the Law and its Regulations, to the specific supply." ". Paragraph (1) of Article (23) of the VAT Law, related to tax invoices, states: 1- The contents and format of tax invoices and the deadlines for their issuance." Paragraph (8) of Article (53) of the Implementing Regulations of the VAT Law, related to tax invoices, states: - A simplified tax invoice must include the following details, including: E) The VAT payable or a statement indicating that the price includes VAT concerning the supply of goods or services." Article (45) of the VAT Law states: "A fine not exceeding (50,000) fifty thousand SAR shall be imposed on any person



who:" 3. violates any other provision of the Law or the Regulations. After reviewing the entire case file and the submitted defenses, it is evident that the Plaintiff seeks to annul the fine, arguing that there was a malfunction in the cash register, which prevented the VAT amount from appearing, despite the presence of the tax registration number. Upon examining the field inspection report and the invoices attached to Defendant's defense memorandum, it was found that the invoice did not include the VAT payable amount or indicate that the price included VAT in Invoice No. (...) dated 06/05/2021, which supports the field inspection report dated 06/05/2021. The Plaintiff attached an invoice from the same day as the field inspection, but it cannot be considered valid evidence due to a discrepancy in the establishment's name. The name of the establishment in the field inspection report is (...), whereas the name on the invoice submitted by the Plaintiff is (...). Accordingly, the Plaintiff's defense regarding the cash register malfunction is not a valid argument, particularly since the violation was confirmed by the invoice attached to the field inspection report. Thus, the Plaintiff violated the tax invoice requirements under Paragraph (e/8) of Article (53) of the Implementing Regulations of the VAT Law. The Department upholds the Defendant's decision to impose a fine of 10,000 SAR for violating the VAT Law or its Implementing Regulations.

Based on the above, and in accordance with the Unified VAT Agreement, the VAT Law and its Implementing Regulations, and Tax Violations and Disputes Committee Procedures, the Department, after deliberation and by unanimous decision, rules as follows:

Decision

Plaintiff's claim is rejected, as Defendant's decision to impose the field inspection fine in question is found to be valid.

This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate Value Added Tax Violations
and Disputes
in Jeddah

Decision No.: VJ-2022-677
Case No.: V-2021-67258

Key words:

Value Added Tax – Field Inspection fine – Issuance of an Invoice by an Unregistered Person – Violation of Tax Invoice Requirements – Authority's Decision Upheld

Abstract

The Taxpayer seeks to annul ZATCA's decision regarding the imposition of a field inspection fine. The dispute revolves around Plaintiff's objection to Defendant's decision to impose a 10,000 SAR fine for violating the VAT Law or its Implementing Regulations by issuing an invoice from an unregistered person. Upon review, the Department confirmed that the registration date occurred after the visit of ZATCA's representatives, which validates the accuracy of ZATCA's decision. The Department finds Defendant's decision (ZATCA) to impose the fine to be valid and justified. Accordingly, the Department decided to dismiss Plaintiff's case.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- Paragraph (3), Article (45) of [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- Article (2) of [the Implementing Regulations of Value Added Tax Law issued by resolution of the Board of Directors of ZATCA No. \(3839\) dated 14 Dhul-Hijjah 1438 AH \(corresponding to November 14, 2016\).](#)
- [Common VAT Agreement of GCC States, November 2016.](#)

Facts

The facts of this case are summarized as follows: (...), holding National ID No. (...), in his capacity as the legal representative of the Plaintiff company, with Commercial Registration No. (...), pursuant to the Articles of Incorporation attached to case file, submitted a statement of claim objecting to Defendant's decision to impose a field inspection fine. Upon presenting Plaintiff's statement of claim to Defendant's representative, he submitted a two-page defense memorandum, followed by a second one-page defense memorandum, both of which were reviewed by the Department.

On Sunday, 06/03/2022, the hearing was convened via remote communication, in accordance with virtual litigation procedures, based on Clause (Second) of Article (15) of Tax Violations and Disputes Committee Procedures, issued by Royal Decree No. (26040), dated 21/04/1441 AH. When the case was called, no representative of the Plaintiff was present, while (...) attended holding National ID No. (...) in his capacity as ZATCA's Representative by Authorization Letter No. (...), dated (.....) issued by the Deputy



Governor for Legal Affairs. At the beginning of the session, upon reviewing case file, the Department noted the absence of copies of the invoice related to the violation. When Defendant's representative was asked to provide the invoice, he requested additional time to submit it. Accordingly, the Department decided to postpone the hearing to 27/03/2022 at 7:00 PM.

On Sunday, 27/03/2022, the First Department for Adjudication of Value Added Tax Violations and Disputes in Jeddah convened its first hearing via remote communication, in accordance with virtual litigation procedures, based on Clause (2) of Article Fifteen of Tax Violations and Disputes Committee Procedures, issued by Royal Decree No. (26040), dated 21/04/1441 AH. When the case was called, no representative of the Plaintiff was present, while (...) holding National ID No. (...) in his capacity as ZATCA's Representative by Authorization Letter No. (...), dated (...), issued by the Deputy Governor for Legal Affairs. When Defendant's representative was asked for a response, he stated that he adhered to the arguments presented in the defense memoranda submitted in case file. Since the case was deemed ready for adjudication, in accordance with Article (20) of Tax Violations and Disputes Committee Procedures, the Department proceeded with the review. Therefore, the Department decided to adjourn the session for deliberation and adjudication.

Grounds

After reviewing the Case documents, and upon thorough examination, and in light of the Income Tax Law promulgated by Royal Decree No. (M/1) dated 15/01/1425 AH, as amended and its Implementing Regulations issued pursuant to the Minister of Finance's Decision No. (1535) dated 11/6/1425 AH, as amended, Value Added Tax Law promulgated by Royal Decree No. (M/113) dated 02/11/1438 AH, as amended and the Implementing Regulations issued by the decision of GAZT's BOD No. (3839) dated 14/12/1438 AH, as amended, Tax Dispute and Violation Committee Procedures issued by Royal Decree No. (26040) dated 11/06/1441 AH, the Common VAT Agreement of GCC States, and all relevant laws and regulations;

In Form: Since the Plaintiff aims, through this claim, to annul Defendant's decision regarding the imposition of a field inspection fine, and given that this dispute falls within the jurisdiction of the Committee for the Adjudication of Income Tax Violations and Disputes, in accordance with Royal Decree No. (26040), dated 21/04/1441 AH, and as the claim was filed by a party with legal standing and within the statutory timeframe, the Department finds it necessary to accept the claim in form.

On Merits: Upon reviewing the case documents and the responses of both parties, after granting them sufficient time to present their arguments, the Department established that the dispute revolves around Plaintiff's objection to Defendant's decision to impose a 10,000 SAR fine for violating the VAT Law or its Implementing Regulations by issuing an invoice from an unregistered person. The Plaintiff requests the cancellation of the fine. Article (2) of the Implementing Regulations of the VAT Law states: “For the purposes of the Law and these Regulations, a Taxable Person in the Kingdom is a Person who conducts an Economic Activity independently for generating income, and is registered for VAT in the Kingdom or who is required to register for VAT in the Kingdom under the Law or these Regulations.” Additionally, Article (45) of the VAT Law states: "A fine not exceeding fifty thousand (50,000) SAR shall be imposed on anyone who: 3. violates any other provision of the Law or the Regulations. Upon reviewing the copies of the invoices



issued by the Plaintiff and the field inspection report, which records the visit date as (30/09/2018), it was found that the violation was classified as "Violation of the Law and Regulations", with the nature of the violation stated as "Issuance of an invoice by an unregistered person." After examining Plaintiff's defense, in which it claimed that Defendant's action was incorrect and that the company was registered for VAT, the Department confirmed that the registration date occurred after the visit by ZATCA's representatives, which validates the accuracy of ZATCA's decision. Accordingly, the Department finds Defendant's decision (ZATCA) to impose a fine of 10,000 SAR for violating the VAT Law or its Implementing Regulations to be valid, in accordance with Paragraph (3) of Article (45) of the VAT Law.

In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

Plaintiff's claim is rejected, as Defendant's decision to impose the field inspection fine in question is found to be valid.

This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate Value Added Tax Violations
and Disputes
in Jeddah

Decision No.: VJ-2022-683
Case No.: V-2021-56022

Key words:

Value Added Tax – Field Inspection fine – Issuance of an Invoice by an Unregistered Person – Violation of Tax Invoice Requirements – Authority's Decision Upheld

Abstract

The Taxpayer seeks to annul ZATCA's decision regarding the imposition of a field inspection fine. The dispute revolves around Plaintiff's objection to Defendant's decision to impose a 10,000 SAR fine for violating the VAT Law or its Implementing Regulations by issuing an invoice from an unregistered person. Upon reviewing the field inspection report and the invoices attached by the Defendant, which were issued by the Plaintiff, the Department confirmed Plaintiff's violation. Accordingly, the Department finds Defendant's decision to impose the fine under dispute to be valid and justified. Accordingly, the Department decided to dismiss Plaintiff's case.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Article 44 of the Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- [Implementing Regulations of the Value Added Tax Law, issued by Resolution of the Board of Directors of the General Authority of Zakat and Income -formerly- No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH corresponding to 14 November 2016](#)
- [Common VAT Agreement of GCC States, November 2016](#). Certified by Royal Decree No. (M/51), dated 03/05/1438 AH..

Facts

The facts of this case are summarized as follows: (...), holding National ID No. (...), in her capacity as the owner of (...) Establishment, under Commercial Registration No. (...), submitted a statement of claim objecting to Defendant's decision to impose a field inspection fine. Upon presenting Plaintiff's statement of claim to Defendant's representative, he submitted a one-page defense memorandum, which was reviewed by the Department.

On Monday, 28/03/2022, the First Department for Adjudication of Value Added Tax Violations and Disputes in Jeddah convened its first hearing via remote communication, in accordance with virtual litigation procedures, based on Clause (2) of Article Fifteen of Tax Violations and Disputes Committee Procedures, issued by Royal Decree No. (26040), dated 21/04/1441 AH. When the case was called, (...) attended on her own behalf, holding National ID No. (...), and (...) was also present. holding National ID No. (...) in his capacity



as ZATCA's Representative by Authorization Letter No. (.....), dated (.....) Issued by the Deputy Governor for Legal Affairs. When the Plaintiff was asked about her claim, she affirmed the contents of the statement of claim submitted to the General Secretariat of Zakat, Tax, and Customs Committees and insisted on its arguments. When Defendant's representative was asked for a response, he adhered to the arguments stated in the defense memorandum. Having asked the parties to the case if they had any other statements, they decided to suffice with their earlier submissions. Therefore, the Department decided to adjourn the session for deliberation and adjudication.

Grounds

After reviewing the Case documents, and upon thorough examination, and in light of the Income Tax Law promulgated by Royal Decree No. (M/1) dated 15/01/1425 AH, as amended and its Implementing Regulations issued pursuant to the Minister of Finance's Decision No. (1535) dated 11/6/1425 AH, as amended, Value Added Tax Law promulgated by Royal Decree No. (M/113) dated 02/11/1438 AH, as amended and the Implementing Regulations issued by the decision of GAZT's BOD No. (3839) dated 14/12/1438 AH, as amended, Tax Dispute and Violation Committee Procedures issued by Royal Decree No. (26040) dated 11/06/1441 AH, the Common VAT Agreement of GCC States, and all relevant laws and regulations;

In Form: Since the Plaintiff aims, through this claim, to annul Defendant's decision regarding the imposition of a field inspection fine, and given that this dispute falls within the jurisdiction of the Committee for the Adjudication of Income Tax Violations and Disputes, in accordance with Royal Decree No. (26040), dated 21/04/1441 AH, and as the claim was filed by a party with legal standing and within the statutory timeframe, the Department finds it necessary to accept the claim in form.

On Merits: Upon reviewing the case documents and the responses of both parties, after granting them sufficient time to present their arguments, the Department established that the dispute revolves around Plaintiff's objection to Defendant's decision to impose a 10,000 SAR fine for violating the VAT Law or its Implementing Regulations by issuing an invoice from an unregistered person. Upon examining the field inspection report and the invoices attached by the Defendant, which were issued by the Plaintiff, the Department confirmed Plaintiff's violation. Accordingly, the Department finds Defendant's decision to impose the fine under dispute to be valid and justified, based on Article (44) of the VAT Law, as the Plaintiff was not entitled to collect VAT before the activation of its VAT registration.

Based on the above, and in accordance with the Unified VAT Agreement, the VAT Law and its Implementing Regulations, and Tax Violations and Disputes Committee Procedures, the Department, after deliberation and by unanimous decision, rules as follows:

Decision

Plaintiff's claim is rejected, as Defendant's decision to impose the field inspection fine in question is found to be valid.

This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.



May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate Value Added Tax Violations
and Disputes
in Jeddah

Decision No.: VJ-2022-711
Case No.: V-2021-63377

Key words:

Value Added Tax – fine for Error in Tax Return – Amendment of Purchase Entry –
Authority's Decision Annulled – Plaintiff's Claim Accepted

Abstract

The Taxpayer seeks to annul ZATCA's decision regarding the imposition of a fine for an error in the tax return for Q1 of 2021. The dispute revolves around the fine imposed for an error in filing the tax return for the relevant period. Upon review, the Department confirmed that there were no sales recorded for the same period, as indicated in the final assessment notice attached to the case, meaning no VAT was due for the period. Conclusion: Plaintiff's claim is accepted.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 11/02/1438 AH](#)
- [Implementing Regulations of the Value Added Tax Law, issued by Resolution of the Board of Directors of the General Authority of Zakat and Income -formerly- No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH corresponding to 14 November 2016](#)
- [Common VAT Agreement of GCC States, November 2016](#). Certified by Royal Decree No. (M/51), dated 03/05/1438 AH.

Facts

The facts of this case are summarized as follows: (...), holding National ID No. (...), in his capacity as the owner of (...) Establishment, under Commercial Registration No. (...), submitted a statement of claim objecting to Defendant's decision to impose a fine for an error in the tax return for the tax period of Q1 2021. Upon presenting Plaintiff's statement of claim to Defendant's representative, he responded with a two-page defense memorandum, which was reviewed by the Department.

On Tuesday, 29/03/2022, the First Department for Adjudication of Value Added Tax Violations and Disputes in Jeddah convened its hearing via remote communication, in accordance with virtual litigation procedures, based on Clause (2) of Article Fifteen of Tax Violations and Disputes Committee Procedures, issued by Royal Decree No. (26040), dated: 21/04/1441 AH. Upon calling the parties to the case, the Plaintiff (...) appeared,



holding National ID No. (...) in her capacity as the representative of the Plaintiff under Power of Attorney No. (...), while (...) attended. holding National ID No. (...) in his capacity as ZATCA's Representative by Authorization Letter No. (...), dated (...) Issued by the Deputy Governor for Legal Affairs. When Plaintiff's representative was asked about the claim, she affirmed the contents of the statement of claim submitted to the General Secretariat of Zakat, Tax, and Customs Committees and insisted on its arguments. When Defendant's representative was asked for a response, he adhered to the arguments stated in the defense memorandum. Having asked the parties to the case if they had any other statements, they decided to suffice with their earlier submissions. Therefore, the Department decided to adjourn the session for deliberation and adjudication.

Grounds

After reviewing the Case documents, and upon thorough examination, and in light of the Income Tax Law promulgated by Royal Decree No. (M/1) dated 15/01/1425 AH, as amended and its Implementing Regulations issued pursuant to the Minister of Finance's Decision No. (1535) dated 11/6/1425 AH, as amended, Value Added Tax Law promulgated by Royal Decree No. (M/113) dated 02/11/1438 AH, as amended and the Implementing Regulations issued by the decision of GAZT's BOD No. (3839) dated 14/12/1438 AH, as amended, Tax Dispute and Violation Committee Procedures issued by Royal Decree No. (26040) dated 11/06/1441 AH, the Common VAT Agreement of GCC States, and all relevant laws and regulations;

In Form: Since the Plaintiff aims, through this claim, to annul Defendant's decision regarding the imposition of a fine for an error in the tax return, and given that this dispute falls within the jurisdiction of the Committee for the Adjudication of Income Tax Violations and Disputes, in accordance with Royal Decree No. (26040), dated 21/04/1441 AH, and as the claim was filed by a party with legal standing and within the statutory timeframe, the Department finds it necessary to accept the claim in form.

On Merits: Upon reviewing the case documents and the responses of both parties, after granting them sufficient time to present their arguments, the Department established that the dispute revolves around the imposition of a fine for an error in the tax return for Q1 2021, due to the Defendant (ZATCA) making an adjustment to Plaintiff's tax return. After examining the entire case file and the submitted defenses, the Department found that the Plaintiff objected to the fine for an error in the tax return for Q1 2021, which resulted from an adjustment to the purchases for the period, based on the final assessment of the tax period for Q1 2021. Since the final assessment notice confirms the absence of sales for the same period, the Department concludes that there was no VAT due for the period. Accordingly, the Department accepts Plaintiff's claim and annuls Defendant's (ZATCA's) decision, as no tax liability existed for the period in question.

Based on the above, and in accordance with the Unified VAT Agreement, the VAT Law and its Implementing Regulations, and Tax Violations and Disputes Committee Procedures, the Department, after deliberation and by unanimous decision, rules as follows:

Decision

The Plaintiff's claim is accepted, and the Defendant's decision to impose a fine for an error in the tax return for Q1 2021 is annulled.



This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate Value Added Tax Violations
and Disputes
In Jeddah

Decision No.: VJ-2022-771
Case No.: 73992-2021-V

Key words:

Value Added Tax – Field Inspection fine – Failure to Specify VAT Payable – Late Payment fine – Case Dismissed

Abstract

ZATCA demands that the Taxpayer be obligated to pay an amount of 30,000.00 SAR, representing Value Added Tax (VAT) and late payment fines for the following tax periods: Q3 2020, Q1 2021 and Q3 2021. The dispute revolves around the VAT and late payment fines for the tax periods under dispute. However, upon review, the Department confirmed that the dispute had been resolved through the settlement of the tax claim related to the case. Accordingly, the Department dismisses the case due to the resolution of the dispute through the tax claim settlement. Consequently, the case is dismissed.

Documents:



- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 11/02/1438 AH](#)
- [Implementing Regulations of the Value Added Tax Law, issued by Resolution of the Board of Directors of the General Authority of Zakat and Income -formerly- No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH corresponding to 14 November 2016](#)
- [Common VAT Agreement of GCC States, November 2016.](#)

Facts

The facts of this case are summarized as follows: The Plaintiff, Zakat, Tax, and Customs Authority, submitted a statement of claim requesting that the Defendant, (...), with Commercial Registration No. (...), be obligated to pay an amount of 30,000.00 SAR, representing Value Added Tax (VAT) and late payment fines for the following tax periods: Q3 2020, Q1 2021 and Q3 2021.

On Sunday, 03/04/2022, the hearing was convened via remote communication, in accordance with virtual litigation procedures, based on Clause (Second) of Article (15) of Tax Violations and Disputes Committee Procedures, issued by Royal Decree No. (26040), dated 21/04/1441 AH. When the case was called, (...) (Saudi national), holding National ID No. (...), attended in his capacity as a representative of Zakat, Tax, and Customs Authority, under Authorization Letter No. (...), dated 08/03/1442 AH, issued by the Deputy Governor for Legal Affairs. The Defendant or their representative was not present. When Plaintiff's representative was asked about the claim, he affirmed the



contents of the statement of claim submitted to the General Secretariat of Zakat, Tax, and Customs Committees and insisted on its arguments. Since the case was deemed ready for adjudication, in accordance with Article (20) of Tax Violations and Disputes Committee Procedures, the Department decided to clear the session for deliberation and issue the final decision.

Grounds

After reviewing the Case documents, and upon thorough examination, and in light of the Income Tax Law issued by Royal Decree No. (M/1) dated 15/1/1425 AH as amended and its Implementing Regulations issued pursuant to the Minister of Finance's Decision No. (1535) dated 11/6/1425 AH as amended, Value Added Tax Law issued by Royal Decree No. (M/113) dated 2/11/1438 AH as amended and the Implementing Regulations issued by the decision of ZATCA's BOD No. (3839) dated 14/12/1438 AH as amended, Tax Dispute and Violation Committee Procedures issued by Royal Decree No. (26040) dated 11/06/1441 AH, the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since the Plaintiff aims, through this claim, to obligate the Defendant to pay an amount of 30,000.00 SAR, representing Value Added Tax (VAT) and late payment fines for the following tax periods: Q3 2020, Q1 2021 and Q3 2021, and given that this dispute falls within the jurisdiction of the Committee for the Adjudication of Income Tax Violations and Disputes, in accordance with Royal Decree No. (26040), dated 21/04/1441 AH, and as the claim was filed by a party with legal standing and within the statutory timeframe, the Department finds it necessary to accept the claim in form.

On Merits: Upon reviewing the case documents and the responses of both parties, after granting them sufficient time to present their arguments, the Department established that the dispute revolves around VAT and late payment fines for the tax periods under dispute. However, the Department confirmed that the dispute had been resolved through the settlement of the tax claim related to the case.

Based on the above, and in accordance with the Unified VAT Agreement, the VAT Law and its Implementing Regulations, and Tax Violations and Disputes Committee Procedures, the Department, after deliberation and by unanimous decision, rules as follows:

Decision

The case is deemed concluded due to the settlement of the tax claim related to the dispute with the Plaintiff.

This decision was issued in the presence of both parties. Pursuant to the provisions of Article (21) of the Rules of Procedure for Committees, the Department has set a thirty-day period for receiving a copy of the decision. The Department may extend the deadline for an additional thirty days at its discretion. This decision is final and enforceable, in accordance with Article (42) of the Rules of Procedure for the Adjudication of Tax Violations and Disputes.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate Value Added Tax Violations
and Disputes
in Jeddah

Decision No.: VJ-2022-1142
Case No.: V-2021-66837

Key words:

Value Added Tax – fine for Error in Tax Return – Tax Declaration – Final Assessment
Notice – Plaintiff's Claim Rejected

Abstract

The Taxpayer seeks to annul ZATCA's decision regarding the imposition of a fine for an error in the tax return for Q1 2021. The dispute revolves around the fine imposed for an error in the tax return, which resulted from the final assessment notice, due to the Defendant excluding a purchase invoice related to a later period that had been declared in Plaintiff's tax return. Upon review, the Department confirmed that the Plaintiff admitted to the error in the statement of claim. Accordingly, the Department finds Defendant's decision to impose the fine for the error to be valid and justified. Accordingly, the Department dismisses Plaintiff's case.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Article \(42\) of the Value Added Tax \(VAT\) Law, issued pursuant to Royal Decree No. \(M/113\), dated 02/11/1438 AH.](#)
- [Implementing Regulations of the Value Added Tax Law, issued by Resolution of the Board of Directors of the General Authority of Zakat and Income -formerly- No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH corresponding to 14 November 2016](#)
- [Common VAT Agreement of GCC States, November 2016.](#)

Facts

The facts of this case are summarized as follows: (...), holding National ID No. (...), in his capacity as the owner of (...) Establishment, under Commercial Registration No. (...), submitted a statement of claim objecting to Defendant's decision to impose a fine for an error in the tax return for Q1 2021. Upon presenting Plaintiff's statement of claim to Defendant's representative, he responded with a one-page defense memorandum, which was reviewed by the Department.

On Tuesday, 01/02/2022, the First Department for Adjudication of Value Added Tax Violations and Disputes in Jeddah convened its hearing via remote communication, in accordance with virtual litigation procedures, based on Clause (2) of Article Fifteen of Tax Violations and Disputes Committee Procedures, issued by Royal Decree No. (26040),



dated: dated 21/04/1441 AH. When the case was called, no representative of the Plaintiff was present, while (...) holding National ID No. (...) in his capacity as ZATCA's Representative by Authorization Letter No. (.....), dated (.....) issued by the Deputy Governor for Legal Affairs, and when Defendant's representative was asked for a response, he stated that he adhered to the arguments presented in the defense memorandum submitted in case file. Since the case was deemed ready for adjudication, in accordance with Article (20) of Tax Violations and Disputes Committee Procedures, the Department proceeded with the review. Therefore, the Department decided to adjourn the session for deliberation and adjudication.

Grounds

After reviewing the Case documents, and upon thorough examination, and in light of the Income Tax Law promulgated by Royal Decree No. (M/1) dated 15/01/1425 AH, as amended and its Implementing Regulations issued pursuant to the Minister of Finance's Decision No. (1535) dated 11/6/1425 AH, as amended, Value Added Tax Law promulgated by Royal Decree No. (M/113) dated 02/11/1438 AH, as amended and the Implementing Regulations issued by the decision of GAZT's BOD No. (3839) dated 14/12/1438 AH, as amended, Tax Dispute and Violation Committee Procedures issued by Royal Decree No. (26040) dated 11/06/1441 AH, the Common VAT Agreement of GCC States, and all relevant laws and regulations;

In Form: Since the Plaintiff aims, through this claim, to annul Defendant's decision regarding the imposition of a fine for an error in the tax return, and given that this dispute falls within the jurisdiction of the Committee for the Adjudication of Income Tax Violations and Disputes, in accordance with Royal Decree No. (26040), dated 21/04/1441 AH, and as the claim was filed by a party with legal standing and within the statutory timeframe, the Department finds it necessary to accept the claim in form.

On Merits: Upon reviewing the case documents and the responses of both parties, after granting them sufficient time to present their arguments, the Department established that the dispute revolves around the imposition of a fine for an error in the declaration resulting from the notification of the Final Assessment for the Tax Period for the First quarter of 2021 AD, due to the exclusion of the Defendant (ZATCA) of a purchase invoice for a subsequent period that was declared in his Tax Return for the first quarter of 2021 AD. Additionally, Paragraph (1) of Article (42) of the Value Added Tax (VAT) Law states: "Any Person who files an incorrect Tax Return to the Authority, amends a Tax Return after filing or files any document with the Authority in relation to the Tax due by him which results in an error in the calculation of the Tax amount resulting in an amount that is less than the Tax due shall be liable to a fine equal to (50%) of the value of the difference between the calculated Tax and the Tax due" After reviewing the details of the contested item, which pertains to the cancellation of the fine for an error in the tax return, resulting from the Defendant (ZATCA) excluding a purchase invoice related to a later period, which had been declared in Plaintiff's tax return for the disputed period. Upon examining Defendant's defense memorandum, it stated: "ZATCA imposed a fine for submitting an incorrect tax return, as it was determined, after reassessing Plaintiff's self-filed tax return, that it was inaccurate, thereby warranting the applicable fine." Additionally, the statement of claim submitted by the Plaintiff included the following: "A tax invoice was entered that was paid within the tax period; however, the benefiting company did not issue the invoice until the second tax period. Since this was my first tax return, I did not think it was an



issue, especially since, after submitting it, I contacted ZATCA's helpline, explained the situation to the representative, and requested that the return be returned for correction. The representative explicitly stated that there was no issue, and that the return would be reviewed, with invoices outside the period being removed. You may refer to the recorded call for verification. Later, when I was asked to provide the invoices, I did not include it within the period and informed ZATCA's auditor that one of the invoices did not belong to that period. He repeated the same statement as the helpline representative. I kindly request that you review the attached invoice, verify the payment date, and cancel the fine." Since the Plaintiff admitted to the error in the statement of claim, the Department finds Defendant's (ZATCA's) decision to impose the fine for the tax return error to be valid and justified.

Based on the above, and in accordance with the Unified VAT Agreement, the VAT Law and its Implementing Regulations, and Tax Violations and Disputes Committee Procedures, the Department, after deliberation and by unanimous decision, rules as follows:

Decision

Dismissal of Plaintiff's claim due to the validity of Defendant's decision to impose a fine for the error in the declaration subject to the case.

This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Riyadh

Decision No.: VR-2022-379
Case No.: V-62219-2021

Key words:

Value Added Tax – Field Inspection fine – Undercharging VAT – Violation of Simplified Invoice Requirements – Plaintiff's Claim Rejected

Abstract

The Taxpayer seeks to annul ZATCA's decision regarding the imposition of a field inspection fine of 10,000 SAR. The dispute revolves around the Defendant imposing a fine for violating the VAT Law or its Implementing Regulations, as the Plaintiff charged the final consumer a VAT rate lower than the legally prescribed rate. Upon reviewing the field inspection report dated 19/04/2021, which was signed by Plaintiff's representative, the Department confirmed that the VAT was not charged at the legally required rate. Additionally, the Plaintiff did not provide any supporting evidence to contradict Defendant's decision. Accordingly, Plaintiff's claim is rejected.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- Paragraph (2) of Article (2) and Paragraph (3) of Article (45) of [the Value Added Tax \(VAT\) Law, issued pursuant to Royal Decree No. \(M/113\), dated 02/11/1438 AH.](#)
- [Implementing Regulations of the Value Added Tax Law, issued by Resolution of the Board of Directors of the General Authority of Zakat and Income -formerly- No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH corresponding to 14 November 2016](#)
- [The Common Agreement for Value Added Tax of the Gulf Cooperation Council \(GCC\), November 2016](#), ratified by Royal Decree No. (M/51) dated 03/05/1438 AH.

Facts

The facts of this case are summarized as follows: (...), holding National ID No. (...), in his capacity as the owner of (...) Establishment, with Commercial Registration No. (...), submitted a statement of claim objecting to ZATCA's decision to impose a field inspection fine of 10,000 SAR, requesting the cancellation of the imposed fine.

Upon presenting the case to the Defendant, ZATCA responded: "On 19/04/2021, representatives of ZATCA conducted a field inspection at Plaintiff's premises and examined the simplified invoices issued by the Plaintiff after receiving a report alleging a violation of the VAT Law and its Implementing Regulations. Upon inspection, it was confirmed that the Plaintiff was in violation of Paragraph (2) of Article (2) of the VAT Law, which states: "The tax shall be applied at a standard rate of (15%) on the value of supply or import, unless a provision for exemption or a zero rate applies, based on the



provisions of the Law and its Regulations, to the specific supply.” Additionally, the Plaintiff violated the simplified invoice requirements set forth in Paragraph (8) of Article (53) of the Implementing Regulations of the VAT Law, which states: "A simplified tax invoice must include the following details:.... e. The payable tax amount or a statement that the price includes tax concerning the supply of goods or services." The tax invoices issued by the Plaintiff contained VAT amounts at a rate lower than the legally prescribed percentage, which resulted in a violation. Based on the foregoing, ZATCA requests the committee to rule in favor of dismissing the claim.

On Thursday, 03/03/2022, the Department convened its first session, based on Clause (2) of Article Fifteen of Tax Violations and Disputes Committee Procedures, issued by Royal Decree No. (26040), dated 21/04/1441 AH. When the case was called, neither the Plaintiff nor their representative appeared, despite having been duly notified of the session date via the email registered in case file. However, (...), holding National ID No. (...), attended as a representative of Zakat, Tax, and Customs Authority, pursuant to authorization issued by ZATCA under No. (...). After verifying the representative's presence by inspecting their national ID card under a magnified display and confirming their official capacity, the Department proceeded with the hearing of the case. The Plaintiff requested in his case the cancellation of ZATCA's decision to impose a field inspection fine of 10,000 SAR, based on the details outlined in the case. When asked for ZATCA's response to the Plaintiff's claim, ZATCA's representative affirmed the validity of their decision, citing the details provided in the response memorandum submitted regarding Plaintiff's claim. Given the above and since the Plaintiff or his representative did not appear for the session despite being notified, and as the case was ready for adjudication, after deliberation, the Department closed the pleadings, adjourned the session, and proceeded to issue its decision.

Grounds

After reviewing the Case documents, and upon thorough examination, and in light of the Income Tax Law promulgated by Royal Decree No. (M/1) dated 15/01/1425 AH, as amended and its Implementing Regulations issued pursuant to the Minister of Finance's Decision No. (1535) dated 11/6/1425 AH, as amended, Value Added Tax Law promulgated by Royal Decree No. (M/113) dated 02/11/1438 AH, as amended and the Implementing Regulations issued by the decision of GAZT's BOD No. (3839) dated 14/12/1438 AH, as amended, Tax Dispute and Violation Committee Procedures issued by Royal Decree No. (26040) dated 11/06/1441 AH, the Common VAT Agreement of GCC States, and all relevant laws and regulations;

In Form: Since the Plaintiff seeks, through this claim, to annul ZATCA's decision regarding the imposition of a field inspection fine, based on the VAT Law and its Implementing Regulations, and given that this dispute falls within the jurisdiction of Committee for Resolution of Income Tax Violations and Disputes, in accordance with Royal Decree No. (26040), dated 21/04/1441 AH, and as the claim was filed by a party with legal standing and within the statutory timeframe, the Department finds it necessary to accept the claim in form.

On Merits: Upon reviewing the case documents and the responses of both parties, after granting them sufficient time to present their arguments, the Department established that the dispute revolves around the Defendant imposing a fine of 10,000 SAR on the Plaintiff for violating the VAT Law or its Implementing Regulations. The fine was imposed on the



Plaintiff for charging the final consumer a VAT rate lower than the legally prescribed rate. Upon reviewing the field inspection report dated 19/04/2021, which was signed by Plaintiff's representative (...), the Department confirmed that the VAT was not charged at the legally required rate. Paragraph (2) of Article (2) of the VAT Law states: "The tax shall be applied at a standard rate of (15%) on the value of supply or import, unless a provision for exemption or a zero rate applies, based on the provisions of the Law and its Regulations, to the specific supply." Additionally, Paragraph (3) of Article (45) of the VAT Law states: "A fine not exceeding fifty thousand (50,000) SAR shall be imposed on anyone who: 3. violates any other provision of the Law or the Regulations". Since the Plaintiff did not provide any supporting evidence to dispute the actions taken by the Defendant, the Department finds Defendant's decision to be valid and justified.

Decision

First: Accept Plaintiff's case in form.

Second: On Merits: The Plaintiff's claim, submitted by (...), holding National ID No. (...), for the cancellation of the field inspection fine amounting to 10,000 SAR, is rejected.

Third: This decision was issued in absentia for the Plaintiff and in presence for the Defendant. The Department has set a thirty-day period for receiving a copy of the decision. The Department may extend the deadline for an additional thirty days at its discretion. This decision is final and enforceable, in accordance with Article (42) of the Rules of Procedure for the Adjudication of Tax Violations and Disputes.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Riyadh

Decision No.: VSR-2022-268
Case No.: V-58136-2021

Key words:

Value Added Tax – Field Inspection fine – Issuance of an Invoice by an Unregistered Person – Plaintiff's Claim Accepted

Abstract

The Taxpayer seeks to annul ZATCA's decision regarding the imposition of a field inspection fine, due to a violation of the VAT Law and its Implementing Regulations for issuing an invoice from an unregistered person, with a fine amounting to 10,000 SAR. Upon reviewing the registration certificate to verify Plaintiff's claim, the Department confirmed that the commercial registration in question was indeed registered with ZATCA, as indicated in the registration certificate. Accordingly, the Department finds ZATCA's decision to impose the fine to be invalid. Conclusion: Plaintiff's claim is accepted.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- Paragraph (3) of Article (45) of [the Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- Article (2) of [the Implementing Regulations of Value Added Tax Law issued by resolution of the Board of Directors of ZATCA No. \(3839\) dated 14 Dhul-Hijjah 1438 AH \(corresponding to November 14, 2016\)](#).
- [Common VAT Agreement of GCC States, November 2016](#). Certified by Royal Decree No. (M/51), dated 03/05/1438 AH..

Facts

The facts of this case are summed up as follows: (.....) Company, C.R. No.(...), represented by (...), holder of National ID No. (...), In his capacity as the legal representative of the Plaintiff company, he submitted a statement of claim objecting to Defendant's decision to impose a field inspection fine for violating the VAT Law and its Implementing Regulations by issuing an invoice from an unregistered person, with a fine amounting to 10,000 SAR. He requests the cancellation of Defendant's decision.

Upon presenting the statement of claim to the Defendant, the response was as follows: "First: Subjective Plea: 1. On 17/07/2018, representatives of ZATCA conducted an on-site inspection at Plaintiff's premises and examined the simplified invoices issued by the Plaintiff as part of a field campaign to ensure compliance with the VAT Law and its Implementing Regulations. Upon inspection, it was found that the invoices violated the



provisions of Article (2) of the Implementing Regulations of the VAT Law, which states: "For the purposes of implementing the Law and these Regulations, a taxable person in the Kingdom is considered to be any person engaged in an independent economic activity with the intention of generating income and registered for VAT purposes in the Kingdom... etc." This violation occurred because the Plaintiff collected VAT without registering the subsidiary commercial registration number (...) with ZATCA. 2. After confirming Plaintiff's violation of the VAT Law and its Implementing Regulations, as detailed above, ZATCA imposed a fine of 10,000 SAR under Decision No. (...), dated 10/05/2021, based on Article (44) of the VAT Law, which states: "A non-registered person who issues a tax invoice shall be subject to a fine not exceeding (100,000) one hundred thousand SAR, without prejudice to any stricter fine provided for in any other law." Second: Requests: Based on the above, ZATCA requests the esteemed committee to rule in favor of dismissing the claim. End of Reply.

On Thursday, 10/06/1443 AH (corresponding to 13/01/2022), the session was convened via remote communication, in accordance with virtual litigation procedures, based on Clause (2) of Article Fifteen of Tax Violations and Disputes Committee Procedures, issued by Royal Decree No. (26040), dated 21/04/1441 AH. When the case was called, Plaintiff's representative, (...), holding National ID No. (...), attended under Power of Attorney No. (...), and (...), holding National ID No. (...), was also present in her capacity as the representative of the Defendant, the "Zakat, Tax, and Customs Authority," pursuant to Authorization Letter No. (...) dated (.....) Issued by the Deputy Governor for Legal Affairs. When Plaintiff's representative was asked about his client's claim, he affirmed the contents of the statement of claim and insisted on its arguments. When Defendant's representative was asked for her response, she affirmed the contents of the defense memorandum and insisted on its arguments. When both parties were asked if they wished to add anything further, they declared that they were satisfied with their previous submissions in this case. Accordingly, the Department decided to adjourn the session for deliberation in preparation for issuing the final decision.

Grounds

After reviewing the Case documents, and upon thorough examination, and in light of the Income Tax Law promulgated by Royal Decree No. (M/1) dated 15/01/1425 AH, as amended and its Implementing Regulations issued pursuant to the Minister of Finance's Decision No. (1535) dated 11/6/1425 AH, as amended, Value Added Tax Law promulgated by Royal Decree No. (M/113) dated 02/11/1438 AH, as amended and the Implementing Regulations issued by the decision of GAZT's BOD No. (3839) dated 14/12/1438 AH, as amended, Tax Dispute and Violation Committee Procedures issued by Royal Decree No. (26040) dated 11/06/1441 AH, the Common VAT Agreement of GCC States, and all relevant laws and regulations;

In Form: Since the claim was filed by a party with legal standing and within the statutory timeframe, the Department finds it necessary to accept the claim in form.

On Merits: Upon reviewing the case documents and the responses of both parties, after granting them sufficient time to present their arguments, the Department established that the dispute revolves around the imposition of a field inspection fine for violating the VAT Law and its Implementing Regulations by issuing an invoice from an unregistered person, with a fine amounting to 10,000 SAR. Article (2) of the Implementing Regulations of the VAT Law states: "For the purposes of implementing the Law and these Regulations, a taxable person in the Kingdom is considered to be any person engaged in an independent economic activity with the intention of generating income and who has either registered for VAT purposes in the Kingdom or is deemed obligated to register for VAT in



accordance with the Law and these Regulations." Additionally, Article (45) of the VAT Law states: "A fine not exceeding fifty thousand (50,000) SAR shall be imposed on anyone who: 3. violates any other provision of the Law or the Regulations. Upon reviewing the Defendant's (ZATCA's) defense memorandum, it was noted that the Plaintiff was allegedly collecting VAT under a commercial registration number that was not registered with ZATCA. However, the Plaintiff argued that ZATCA's action was incorrect, stating that the company and its branches had been registered for VAT on 22/08/2017. Upon verifying the registration certificate to confirm Plaintiff's claim, the Department confirmed that the commercial registration number (...), which is the subject of the dispute, was indeed registered with ZATCA, as stated in the registration certificate. Accordingly, the Department finds ZATCA's decision to impose the fine to be invalid, in accordance with Paragraph (3) of Article (45) of the VAT Law.

In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

First: Accept the Case in form.

Second: The claim is accepted on the merits, and Defendant's decision to impose a field inspection fine related to issuing an invoice from an unregistered person is annulled.

This decision was issued in the presence of both parties. The Department has set a thirty-day period for receiving a copy of the decision, with the option to extend the deadline for an additional thirty days at its discretion. This decision is final and enforceable, in accordance with Article (42) of the Rules of Procedure for the Adjudication of Tax Violations and Disputes.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

Committee for Determination of Tax Violations and
Disputes
Third Department to Adjudicate Value Added Tax
Violations and Disputes
In Riyadh

Decision No.: VTR-2022-167
Case No.: V-63915-2021

Key words:

Value Added Tax – Final Reassessment – Sales Subject to the Standard Tax Rate – Domestic Purchases Subject to the Standard Tax Rate – fine for Error in Tax Return – Plaintiff's Claim Rejected

Abstract

The Taxpayer seeks to annul ZATCA's decision regarding the final reassessment for the tax period of Q1 2021, along with the resulting fines, specifically regarding: Sales Subject to the Standard VAT Rate: The Department found that the Plaintiff did not provide evidence of applying for or obtaining approval from ZATCA to use the cash basis method. Domestic Purchases Subject to the Standard VAT Rate: The Plaintiff is eligible to claim a deduction when they can provide alternative evidence, such as a properly issued simplified tax invoice in accordance with the VAT regulations, or other commercial documents permitted at the discretion of ZATCA, proving that the taxable person was correctly charged and paid the relevant VAT. As for the fine for Error in the Tax Return: Since the disputed fine resulted from Plaintiff's own filing error, the Department determined that the Plaintiff made an error in submitting the tax return. Accordingly, Plaintiff's claim is rejected.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- Paragraph (1), Article (42) of [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- Article (14), Paragraphs (1) and (2) of Article (20), Paragraph (1) of Article (45), and Paragraph (7) of Article (49) of [the Implementing Regulations of the Value Added Tax \(VAT\) Law, issued pursuant to Decision No. \(3839\) of the Board of Directors of the former General Authority of Zakat and Income, dated 14 Dhu al-Hijjah 1438 AH \(corresponding to 14 November 2016\).](#)
- Paragraph (1) of Article (48) certified by Royal Decree No. (M/51), dated 03/05/1438 AH. [Common VAT Agreement of GCC States, November 2016.](#)

Facts

The facts of this case are summarized as follows: (...), holding National ID No. (...), in his capacity as the owner of (...) Establishment, with Commercial Registration No. (...),



submitted a statement of claim objecting to Defendant's decision regarding the final reassessment for the tax period of Q1 2021 and the resulting fines. The Plaintiff requests the cancellation of Defendant's decision and the associated fines.

Upon presenting the statement of claim to the Defendant, Zakat, Tax, and Customs Authority, ZATCA argued that the Plaintiff should have first submitted an objection to ZATCA before filing the claim with the General Secretariat. ZATCA further asserted that filing the claim before completing this procedural step renders the claim procedurally defective, in accordance with Article (49) of the VAT Law and Article (2) of Tax Violations and Disputes Committee Procedures. Defendant's representative concluded their memorandum by requesting the dismissal of the case on procedural grounds. This concludes Defendant's response.

The Plaintiff also submitted a response stating the following: I visited the branch of Zakat, Tax, and Customs Authority to review the fine for an error in the tax return. ZATCA's employee informed me to submit an objection directly through the General Secretariat of Tax Committees' website with the following statement: "The fine was imposed due to my lack of knowledge of the law, as this was my first time filing a tax return. The fine amount is excessively high, totaling 47,078.13 SAR." I request the cancellation of the fine.

On Tuesday, 21/12/2021, the session was convened via remote communication, in accordance with virtual litigation procedures, based on Clause (Second) of Article (15) of Tax Violations and Disputes Committee Procedures, issued by Royal Decree No. (26040), dated 21/04/1441 AH. When the case was called, the Plaintiff appeared in person on his own behalf. For the Defendant appeared Mr....., holding National ID No. (...) in his capacity as ZATCA's Representative by Authorization Letter No. (.....), dated (.....) Issued by the Deputy Governor for Legal Affairs. When the Plaintiff was asked about his claim, he affirmed the contents of the statement of claim submitted to the General Secretariat of Zakat, Tax, and Customs Committees and insisted on its arguments. He further added that he also objects to the tax amount for the disputed tax period. When Defendant's representative was asked for a response, he adhered to the contents of the defense memorandum. Additionally, he requested that the claim be dismissed on procedural grounds, arguing that the Plaintiff had not submitted an objection to ZATCA before filing the claim. When this was presented to the Plaintiff, he responded that he had attempted to submit an objection to ZATCA, but the objection process was conditional on providing a financial guarantee, which he could not submit due to financial constraints. When Defendant's representative was asked whether a financial guarantee is required in all cases, he replied that it is mandatory for all reassessment cases. When asked for his substantive response regarding the case, he requested additional time to submit it. Accordingly, the Department decided to adjourn the hearing to January 9, 2022, at 4:00 PM. The Plaintiff must submit evidence supporting his claim before December 24, 2021. The Defendant must review and submit a response before December 30, 2021. The Department emphasized that both parties must submit the required documents within the specified deadlines. If a party fails to comply without an acceptable excuse, this will be considered a refusal to proceed, in accordance with Article 112 of the Law of Civil Procedures.

The Plaintiff submitted a memorandum, stating: "It has been made clear before Zakat, Tax Authority, and the General Secretariat of Tax Committees that the error in Q1 2021 was unintentional due to a lack of awareness of the newly issued regulations regarding the VAT exemption for real estate developers. This misunderstanding led us to submit purchases related to the disputed tax period, along with previous periods, due to our lack of knowledge of the correct procedures under the Law. Based on the discussions with the General Secretariat of Zakat and Tax Committees, I will provide a comprehensive file specifically related to Q1 2021 to allow for a review of the imposed fines, which have



resulted in significant financial losses. The total VAT paid during Q1 2021 amounted to 22,305,000 SAR, based on total purchases of 148,700,000 SAR. Regarding the second issue, the real estate property in dispute did not generate full rental income during that period, and therefore, I did not declare it in that quarter. We hope that the Department will reconsider these fines, as we have already paid substantial amounts in VAT on purchases related to this quarter." This concludes Defendant's response.

The Defendant, Zakat, Tax, and Customs Authority, submitted a defense memorandum, stating the following: "1- Local Sales Subject to the Standard Tax Rate: The Plaintiff submitted his tax return for the disputed period without declaring any sales in the specified section. Upon reviewing the tax return, it was discovered that the Plaintiff had undisclosed lease contracts. When inquired, the Plaintiff stated that the property was sold at the end of Q1 2021. However, upon reviewing the contract, it was found that the lease agreement started in August 2020, with a semi-annual rental payment cycle. Since the semi-annual payment falls within the current tax period before the property sale, it was decided to subject the received payment to VAT, based on Article (14) of the Implementing Regulations of the VAT Law, which states: "Without prejudice to Article (2) of the Law and for the purposes of implementing the Agreement and the Law in the Kingdom, VAT shall be imposed on all supplies of goods and services made by any taxable person in the Kingdom...." 2- Local Sales Subject to the Standard Tax Rate: The submitted section and supporting documents provided by the Plaintiff were reviewed, but the Plaintiff is not entitled to deduct these purchases, as the submitted documents do not meet the conditions outlined in Article (49), Paragraph (9) of the Implementing Regulations, which states: "A taxable person is not considered to have incurred expenses related to the following goods or services during the course of their economic activity, and therefore is not allowed to deduct input VAT on such expenses, except where the taxable person subsequently supplies those goods and services as taxable supplies." 3- Regarding Plaintiff's Objection to the fine for Error in the Tax Return and Late Payment: As a result of the audit and reassessment process for the disputed tax period, the fine for an error in the tax return was imposed in accordance with Article (42), Paragraph (1) of the VAT Law, which states: "Any Person who files an incorrect Tax Return to the Authority, amends a Tax Return after filing or files any document with the Authority in relation to the Tax due by him which results in an error in the calculation of the Tax amount resulting in an amount that is less than the Tax due shall be liable to a fine equal to (50%) of the value of the difference between the calculated Tax and the Tax due." Therefore, a late payment fine was imposed for the months following the disputed tax period, as previously explained, in accordance with Article (43) of the VAT Law, which states: "Whoever does not pay the tax due within the period specified by the Regulations shall be fined an amount equaling (5%) of the value of unpaid tax, for each month or fraction of month for which the tax was not paid." End of Reply.

On Sunday, 09/01/2022, the session was convened via remote communication, in accordance with virtual litigation procedures, based on Clause (Second) of Article (15) of Tax Violations and Disputes Committee Procedures, issued by Royal Decree No. (26040), dated 21/04/1441 AH. When the case was called, the Plaintiff appeared in person, while (...), holding National ID No. (...), attended as a representative of Zakat, Tax, and Customs Authority, pursuant to Authorization Letter No. (...), dated (...), issued by the Deputy Governor for Legal Affairs. At the beginning of the session, the Plaintiff requested to object to the reassessment decision for Q1 2021, in addition to his previous objection to the fine for an error in the tax return for the same quarter. He further added that the rental contract included by ZATCA had not been collected, including the tax due on it. Regarding the purchases, he stated that he was unaware of a separate portal related to real estate transactions. When Defendant's representative was asked for his response, he stated that



a defense memorandum had already been submitted, which is included in case file, and insisted on the arguments outlined in the submitted defense memoranda. Based on the above, the Department decided to adjourn the session for deliberation and issuance of the final decision.

Grounds

After reviewing the case documents and conducting a thorough examination, and upon reviewing the following legal frameworks of the Common VAT Agreement for the GCC States, ratified by Royal Decree No. (M/51), dated 03/05/1438 AH. The Income Tax Law, issued by Royal Decree No. (M/1), dated 15/01/1425 AH, and its amendments. The Implementing Regulations of the Income Tax Law, issued by Minister of Finance Decision No. (1535), dated 11/06/1425 AH, and its amendments. The VAT Law, issued by Royal Decree No. (M/113), dated 02/11/1438 AH, and its amendments. The Implementing Regulations of the VAT Law, issued by General Authority of Zakat and Income (GAZI) Board Decision No. (3839), dated 14/12/1438 AH, and its amendments. Tax Violations and Disputes Committee Procedures, issued by Royal Decree No. (26040), dated 21/04/1441 AH.

Other relevant laws and regulations. The Department considered the case as follows:

In Form: Since the Plaintiff's claim seeks to object to the final reassessment decision for the tax period of Q1 2021 and the imposition of a fine for an error in the tax return, based on the VAT Law and its Implementing Regulations, and given that this dispute falls within the jurisdiction of Committee for Resolution of Income Tax Violations and Disputes, in accordance with Royal Decree No. (26040), dated 21/04/1441 AH, and as the claim was filed by a party with legal standing and within the statutory timeframe, the Department finds it necessary to accept the claim in form.

On Merits: Upon reviewing the case documents and examining the responses of both parties, after granting them sufficient time to present their arguments, the Department established that the Defendant (ZATCA) issued a decision regarding the final reassessment for the tax period of Q1 2021 and imposed a fine for an error in the tax return. The Department found the following:

First: Regarding sales subject to the standard VAT rate, Article (14) of the Implementing Regulations of the VAT Law states: "Without prejudice to Article (2) of the Law and for the purposes of implementing the Agreement and the Law in the Kingdom, VAT shall be imposed on all supplies of goods and services made by any taxable person in the Kingdom, on supplies received by any taxable person in the Kingdom in cases where the reverse charge mechanism applies, and on the importation of goods into the Kingdom." After reviewing case file, the Department found that the Plaintiff had undisclosed sales, specifically rental income from a leased property. Since the Plaintiff failed to provide evidence to refute this, the Department rejects Plaintiff's claim in this regard. Regarding Plaintiff's argument that he did not receive the full rental payment, the Department refers to Paragraphs (1) and (2) of Article (20) of the Implementing Regulations of the VAT Law, which state: "1. In cases where services are supplied on a recurring basis, and the contract or agreement specifies payment in scheduled installments leading to the issuance of consecutive invoices, the date of supply and the tax liability occur on the earliest of the following dates: the due date of the installment, the actual payment date, or the invoice issuance date. This must occur at least once every twelve (12) consecutive months. 2. In all other cases where goods or services are supplied on a continuous basis, each supply is considered a separate transaction, and the tax becomes due on the earliest of the invoice issuance date or the payment date, to the extent of the invoice or payment amount. Furthermore, Paragraph (1) of Article (45) of the Implementing Regulations of the VAT

Law states: "Unless the taxable person opts to calculate net tax due for the tax period using the cash accounting method under Article (46) of these Regulations, or unless the taxable person supplies qualifying used goods in accordance with Article (48) of these Regulations, the net tax due for the taxable period shall be calculated by subtracting the total input VAT, including input VAT on imports allowed for the taxable person during the tax period, from the total output VAT due on all taxable supplies made by the taxable person in the Kingdom during the tax period." This method of calculation is known as the invoice-based accounting method. Since the Plaintiff failed to provide evidence that he had applied for or obtained approval from ZATCA to use the cash basis accounting method, the Department disregards Plaintiff's argument in this regard.

Second: Regarding domestic purchases subject to the standard VAT rate, the general principle for VAT deduction is that the Taxpayer must provide supporting documents proving the right to claim deductions, and these documents must meet the legal requirements. During the hearing held on 09/01/2022, the Plaintiff stated that he was unaware of a separate portal related to real estate transactions. Paragraph (1) of Article (48) of the Unified VAT Agreement for the GCC States reads as follows: "For the purpose of exercising the right to deduction, the taxable person must possess the following documents:" A. "The tax invoice obtained in accordance with the provisions of this Agreement..." Additionally, Paragraph (7) of Article (49) of the Implementing Regulations of the VAT Law states: "Input VAT may not be deducted unless the taxable person has evidence that the amount of input VAT paid or due is in accordance with the provisions specified in Article (48) of this Agreement. In cases where the taxable person does not possess the required documents as specified in the Agreement, they may claim the deduction if they are able to provide the following alternative evidence to ZATCA: A. A properly issued simplified tax invoice in accordance with these regulations. C. Other commercial documents permitted at the discretion of ZATCA, proving that the taxable person was correctly charged and has paid the relevant VAT. Based on the above, the Department rejects Plaintiff's claim in this regard.

Third: Regarding the fine for an error in the tax return, the Department has ruled to reject Plaintiff's claim and uphold the Defendant's decision regarding the final reassessment for the disputed tax period. Since the disputed fine is a direct result of and linked to the reassessment, it is evident that the Plaintiff made an error in submitting the tax return. Paragraph (1) of Article (42) of the VAT Law states: "Any Person who files an incorrect Tax Return to ZATCA, amends a Tax Return after filing or files any document with ZATCA in relation to the Tax due by him which results in an error in the calculation of the Tax amount resulting in an amount that is less than the Tax due shall be liable to a fine equal to (50%) of the value of the difference between the calculated Tax and the Tax due". Accordingly, the Department upholds the validity of Defendant's decision to impose the fine.

Based on the foregoing, the Department, after deliberation, unanimously decided as follows:

Decision

First: Accept Plaintiff's case in form.

Second: Rejection of Plaintiff's Claim regarding the objection to the reassessment decision for Q1 2021 and the fine for an error in the tax return.

This decision was issued in the presence of both parties, in accordance with Article (56) of the Law of Civil Procedures. The Department has set Monday, 25/08/1443 AH (corresponding to 28/03/2022) as the date for receiving a copy of the decision. This



decision is final and enforceable in accordance with Article (42) of Tax Violations and Disputes Committee Procedures.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.



Committee for Determination of Tax Violations and
Disputes
Third Department to Adjudicate Value Added Tax
Violations and Disputes
In Riyadh

Decision No.: VTR-2022-423
Case No.: V-64894-2021

Key words:

Value Added Tax – Fine for Late Submission of Tax Return – Request for Cancellation of Fine – Request for Financial Security – Dismissal of Case.

Abstract

Plaintiff (“Taxpayer”) filed this Case moving to abolish Defendant’s (“ZATCA”) decision regarding the imposition of a fine for late submission of Tax Return for the first quarter of 2019 AD.

The Department Found That:

Plaintiff has failed to provide evidence refuting Defendant’s decision regarding the imposition of the fine in question. Also, Article (42.3) of Law of Value Added Tax stipulates: “Any person who fails to submit a Tax Return within the period specified by the Regulations shall be subject to a fine not less than (5%) and not more than (25%) of the amount of tax that he should have declared.”

The Department Decided To:

Dismiss Plaintiff’s Case.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Decree No. \(26040\) dated 21/04/1441 AH](#)
- Article (43.3) of the Law of Value Added Tax promulgated by Royal Decree No. (M/113) of 02/11/1438 AH.
- Article (65.2) of [Implementing Regulations of Law of Value Added Tax issued by ZATCA “Previously GAZT” Board of Directors Decision No. \(3839\) of 14/12/1438 AH, corresponding 14/11/2016 AD.](#)
- [Implementing Regulations of the Income Tax Law promulgated by Minister of Finance Decision No. \(1535\) of 11/06/1425 AH](#)
- [Common VAT Agreement of GCC States, November 2016](#), ratified by Royal Decree No. (M/51) of 03/05/1438 AH.

Facts

Facts of the Case are summarized as follows: Mr., holder of National ID No., in his own capacity has filed a statement of claim objecting to the decision issued by Zakat, Tax, and Customs Authority (“ZATCA”/ “Defendant”) regarding the imposition of a fine for late submission of Tax Return for the first quarter of 2019 AD and requested cancellation of the fine in question.

Having presented the statement of claim to Defendant, it submitted a Reply that included the following: The Case is inadmissible in form since Plaintiff should have initially filed his objection with Defendant before submitting the same to the General Secretariat of Zakat, Tax, and Customs Committees, in accordance with Article (42) of the Law of Value Added



Tax and Article (2) of Tax Dispute and Violation Committee Procedures. As on merits, with regard to Plaintiff's objection to Defendant's decision regarding the imposition of a fine for late submission of Tax Return, Plaintiff's deadline for submitting his Tax Return for his Tax Period was 30/04/2019 AD, while the date of filing the Tax Return was 11/11/2019 AD, indicating that Plaintiff did not adhere to the prescribed statutory period, which renders Defendant's procedure in imposing the fine in question sound and valid, in accordance with Article (42.3) of Law of Value Added Tax and Article (62.1) of its Implementing Regulations. With regard to Plaintiff's objection to Defendant's decision regarding the imposition of a late payment fine, Plaintiff did not commit to paying the tax within the statutory period set forth in the Implementing Regulations of the Law of Value Added Tax, as the fine has been imposed pursuant to the provisions of Article (43) of the Law of Value Added Tax. With regard to the fine for mistake in submitting the Tax Return, Defendant clarifies that the fine has been previously dropped, evidence of which is attached herein.

Plaintiff also submitted a Reply, stating that he wanted to object, that he had requested that the amount of tax violations be secured and withheld at the bank in order to be able to object, that he did not have that amount, and that he had previously opened an account. After paying the amounts due, he was not notified of the account being closed. Then, after more than a year and a half, estimated amounts and late payment fines were imposed, and he was asked to clear his account and was surprised by the fines and being obligated to pay.

On Monday, 07/02/2022 AD, the Department held its session via video conference in accordance with the procedures for remote video litigation and pursuant to the provisions of Article (15.2) of Tax Dispute and Violation Committee Procedures promulgated by Royal Decree No. (26040) of 21/04/1441 AH. Having called parties to Case, Plaintiff appeared in his own capacity; and Mr., holder of National ID No., appeared in his capacity as Defendant's ("ZATCA") Representative, by virtue of Authorization No., dated .../.../..., issued by ZATCA's Deputy Governor for Legal Affairs and Compliance. Having asked Plaintiff's Attorney regarding the Case, he maintained the statements contained in the statement of claim previously submitted to General Secretariat of Tax Committees. Having asked Defendant's Representative regarding his response, he maintained the statements contained in the Reply previously submitted to General Secretariat of Tax Committees. Having asked Parties hereto whether they had further statements, they were satisfied with their earlier submissions. Therefore, the Department decided to adjourn the hearing for deliberation in preparation for delivering a decision.

Grounds

Having taken cognizance of the case papers and after due examination of its documents, and having taken cognizance of the Common VAT Agreement of GCC States promulgated by Royal Decree No. (M/51) of 03/05/1438 AH, the Income Tax Law promulgated by Royal Decree No. (M/1) of 15/01/1425 AH, as amended, and its Implementing Regulations issued by Minister of Finance's Decision No. (1535) of 11/06/1425 AH, as amended, the Law of Value Added Tax promulgated by Royal Decree No. (M/113) of 02/11/1438 AH, as amended, and its Implementing Regulations issued by issued by ZATCA "Previously GAZT" Board of Directors Decision No. (3839) of 14/12/1438 AH, as amended, and the Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. (26040) of 21/04/1441 AH, as well as other relevant laws and regulations, the Department has decided to consider the Case.

In Form: Since Plaintiff filed the Case to abolish Defendant's decision regarding the imposition of a fine for late submission of Tax Return for the first quarter of 2019 AD in



accordance with the Law of Value Added Tax and its Implementing Regulations; and since this dispute is a Tax dispute, it then falls within the jurisdiction of the Committee for Determination of Income Tax Violations and Disputes under Royal Decree No. (26040) of 21/04/1441 AH; and since the Case was filed with a party having capacity and within the prescribed statutory period, it is then accepted in form; and since Defendant argued that the Case is inadmissible in form due to Plaintiff's failure to file his objection initially filed his objection with Defendant before submitting the same to the General Secretariat of Zakat, Tax, and Customs Committees; and since Plaintiff has attempted to submit his objection with Defendant, yet Defendant obligated Plaintiff to submit a financial security for his objection to be accepted; and since Article (65.2) of the Implementing Regulations of the Law of Value Added Tax stipulates: "In cases where a formal review or appeal is lodged against an appealable decision, and the Authority has evidence or reason to doubt that the Taxable Person may not pay the disputed Tax, the Authority may require a cash security or bank guarantee from the Taxable Person up to a maximum value of the unpaid amount of Tax and associated penalties arising in connection with the decision. A notification requiring cash security or a bank guarantee shall be issued in writing;" and since the request for a financial security, in light of the provisions of the said Article, is an exception and is subject to several conditions, including the existence of a state of doubt, the existence of a maximum limit for the financial security amount, and the requirement that the request be in writing, which confirms that the regulator aims to make the procedure for requesting a financial security in cases of objection within the narrowest limits whereby Taxpayers does not lose his right to resort to courts; and since Defendant has expanded the requirement for requesting a financial security, wherein it requested the submission of the same for all cases of objection to the Reassessment, contrary to the above Article; Therefore, the Department satisfies to dismiss Defendant's argument in this regard.

On Merits: The Department, having taken cognizance of documents included in Case File, requests, defenses, and pleas raised by parties thereto, found that the dispute lies in Plaintiff's objection to Defendant's decision regarding the imposition of a fine for late submission of Tax Return for the first quarter of 2019 AD and its request to abolish the fine in question; and since Plaintiff has failed to provide evidence refuting Defendant's decision regarding the imposition of the said fine; and since Article (42.3) of Law of Value Added Tax stipulates: "Any person who fails to submit a Tax Return within the period specified by the Regulations shall be subject to a fine not less than (5%) and not more than (25%) of the amount of tax that he should have declared;" Therefore, the Department satisfies to uphold Defendant's decision as to the conclusion it had regarding the imposition of the fine in question.

In light of the above grounds and after deliberation, the Department unanimously decided the following:

Decision

First:

Accept the Case in form.

Second:

Dismiss Plaintiff's Case on merits.

This Decision was delivered in the presence of Both Parties. Date of depositing this Decision in the e-system of General Secretariat of Zakat, Tax and Customs Committees is considered the date of delivery of the Decision. This Decision is deemed final and enforceable under Article (42) of Tax Dispute and Violation Committee Procedures.



May Allah's Blessings And Peace Be Upon Our Prophet Muhammad And His Family
And Companions.



Committee for Determination of Tax Violations and
Disputes
Third Department to Adjudicate Value Added Tax
Violations and Disputes
In Riyadh

Decision No.: VTR-2022-442
Case No.: V-2021-51803

Key words:

Value Added Tax – Field Examination Fine – Failure to Clarify the Tax Due – Failure to Provide Evidence Refuting the Imposition of the Fine – Dismissal of Case.

Abstract

Plaintiff (“Taxpayer”) filed this Case moving to abolish Defendant’s (“ZATCA”) decision regarding the imposition of a field examination fine in the amount of (SAR 10,000) resulting from the failure to clarify the tax due.

The Department Found That:

Defendant has submitted the report of the field examination dated 19/01/2021 AD, which included the type of violation “failure to clarify the tax due,” as well as Invoice No., dated .../.../..., corresponding to 16/12/2020 AD, which shows the absence of a clarification of the tax due or a phrase stating that the consideration is inclusive of the tax. Also, Plaintiff has failed to provide evidence refuting Defendant’s decision regarding the imposition of the said fine.

The Department Decided To:

Dismiss Plaintiff’s Case.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Decree No. \(26040\) dated 21/04/1441 AH](#)
- Article (45.3) of [Law of Value Added Tax promulgated by Royal Decree No. \(M/113\) of 02/11/1438 AH](#).
- Article (53.8/E) of [Implementing Regulations of Law of Value Added Tax issued by ZATCA “Previously GAZT” Board of Directors Decision No. \(3839\) of 14/12/1438 AH, corresponding 14/11/2016 AD](#).
- Common VAT Agreement of GCC States, November 2016.

Facts

Facts of the Case are summarized as follows: Mr., holder of National ID No., in his capacity as the Owner of Establishment, C.R. No.; has filed a statement of claim objecting to the decision issued by Zakat, Tax, and Customs Authority (“ZATCA”/ “Defendant”) regarding the imposition of a field examination fine in the amount of (SAR 10,000) resulting from the failure to clarify the tax due and requested cancellation of the fine in question.

Having presented the statement of claim to Defendant, it submitted a Reply that included the following: “1. On 19/01/2021 AD, Defendant’s representatives visited Plaintiff’s premises, and found that the invoices did not include the value of the tax due at the rate stipulated by the Law, in violation of the provisions of Article (2) of the Law of Value



Added Tax and Article (53.8) of its Implementing Regulations of the Value Added Tax. Accordingly, a fine of (SAR 10,000) was imposed pursuant to Article (45.3) of the Law of Value Added Tax. Defendant concluded by requesting dismissal of Plaintiff's Case."

On Monday, 27/02/2022 AD, the Department held its session via video conference in accordance with the procedures for remote video litigation and pursuant to the provisions of Article (15.2) of Tax Dispute and Violation Committee Procedures promulgated by Royal Decree No. (26040) of 21/04/1441 AH. Having called parties to Case, Mr., holder of National ID No., appeared in his capacity as Defendant's ("ZATCA") Representative, by virtue of Authorization No., dated .../.../..., issued by ZATCA's Deputy Governor for Legal Affairs and Compliance. Neither Plaintiff nor his Representative appeared at the hearing. Having asked Defendant's Representative regarding his response, he maintained the statements contained in the Reply attached to Case file. Having perused Article (20) of Tax Dispute and Violation Committee Procedures, the Department concluded that the Case is ripe for adjudication and decided to adjourn the hearing for deliberation in preparation for delivering a decision.

Grounds

Having taken cognizance of the case papers and after due examination of its documents, and having taken cognizance of the Common VAT Agreement of GCC States promulgated by Royal Decree No. (M/51) of 03/05/1438 AH, the Income Tax Law promulgated by Royal Decree No. (M/1) of 15/01/1425 AH, as amended, and its Implementing Regulations issued by Minister of Finance's Decision No. (1535) of 11/06/1425 AH, as amended, the Law of Value Added Tax promulgated by Royal Decree No. (M/113) of 02/11/1438 AH, as amended, and its Implementing Regulations issued by issued by ZATCA "Previously GAZT" Board of Directors Decision No. (3839) of 14/12/1438 AH, as amended, and the Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. (26040) of 11/06/1441 AH, as well as other relevant laws and regulations, the Department has decided to consider the Case.

In Form: Since Plaintiff filed the Case to abolish Defendant's decision regarding the imposition of a field examination fine in the amount of (SAR 10,000) in accordance with the Law of Value Added Tax and its Implementing Regulations; and since this dispute is a Tax dispute, it then falls within the jurisdiction of the Committee for Determination of Income Tax Violations and Disputes under Royal Decree No. (26040) of 21/04/1441 AH; and since the Case was filed with a party having capacity and within the prescribed statutory period, it is then accepted in form.

On Merits: The Department, having taken cognizance of documents included in Case File, requests, defenses, and pleas raised by parties thereto, found that the dispute lies in Plaintiff's objection to Defendant's decision regarding the imposition of a field examination fine in the amount of (SAR 10,000) resulting from the failure to clarify the tax due; and since Defendant has submitted the report of the field examination dated 19/01/2021 AD, which included the type of violation "failure to clarify the tax due," as well as Invoice No., dated .../.../..., corresponding to 16/12/2020 AD, which shows the absence of a clarification of the tax due or a phrase stating that the consideration is inclusive of the tax; and since Plaintiff has failed to provide evidence refuting Defendant's decision regarding the imposition of the said fine; and since Article (53.8/E) of the Implementing Regulations of the Law of Value Added Tax, concerning "Tax Invoices" stipulates: "8. A simplified Tax Invoice shall include the following details:; e. The Tax payable or a statement that the Consideration is inclusive of Tax in respect of the Supply of the Goods or services;" and since Article (45.3) of the Law of Value Added Tax stipulates: "A fine not exceeding 50,000 riyals shall be imposed on any person who:;



3. violates any other provision of the Law or the Regulations;” Therefore, the Department satisfies to dismiss Plaintiff’s Case.

In light of the above the grounds and after deliberation, the Department unanimously decided the following:

Decision

Dismiss Plaintiff’s Case.

This Decision was delivered in the presence of Both Parties. Date of depositing this Decision in the e-system of General Secretariat of Zakat, Tax and Customs Committees is considered the date of delivery of the Decision. This Decision is deemed final and enforceable under Article (42) of Tax Dispute and Violation Committee Procedures.

May Allah’s Blessings And Peace Be Upon Our Prophet Muhammad And His Family
And Companions.



Committee for Determination of Tax Violations and
Disputes
Third Department to Adjudicate Value Added Tax
Violations and Disputes
In Riyadh

Decision No.: VTR-2022-533
Case No.: V-63876-2021

Key words:

Value Added Tax – Final Reassessment – Request for Abolishment of Defendant’s Decision – Dismissal of Plaintiff’s Case.

Abstract

Plaintiff (“Taxpayer”) filed this Case moving to abolish Defendant’s (“ZATCA”) decision regarding the Final Reassessment for the Tax Period for the third quarter of 2020 AD.

The Department Found That:

As for item (Taxable Local Procurement at Basic Rate), Plaintiff has failed to submit the supporting documents for the entitlement to the deduction.

The Department Decided To:

Dismiss Plaintiff’s Case.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Decree No. \(26040\) dated 21/04/1441 AH](#)
- [Law of Value Added Tax promulgated by Royal Decree No. \(M/113\) of 02/11/1438 AH.](#)
- Article (48.1) of [the Common VAT Agreement of the States of the Gulf Cooperation Council \(GCC\) issued by Royal Decree No. \(M/51\) of 03/05/1438 AH](#)
- Article (49.8) of [the Implementing Regulations of Law of Value Added Tax issued by ZATCA “Previously GAZT” Board of Directors Decision No. \(3839\) of 14/12/1438 AH, corresponding 14/11/2016 AD.](#)

Facts

Facts of the Case are summarized as follows: Mr., holder of National ID No., in his capacity as the Owner of Establishment, C.R. No.; has filed a statement of claim objecting to the decision issued by Zakat, Tax, and Customs Authority (“ZATCA”/ “Defendant”) regarding the Final Reassessment for the Tax Period for the third quarter of 2020 AD and requested abolishment of Defendant’s decision.

Having presented the statement of claim to Defendant, it submitted a Reply that included the following: Defendant clarifies that it had exercised its statutory right to verify the accuracy of Tax Returns set forth in Article (50) of the Law of Value Added Tax, which stipulates: “Subject to the provisions of Article (28) of the Law, the Authority shall be in charge of the administration, examination, assessment, and collection of tax, and shall, to this end, take any measures it deems fit,” and in accordance with Article (26.1) thereof, which stipulates: “The Authority may conduct a tax assessment of a taxable person irrespective of the tax return filed by him,” as well as Article (64) of its Implementing Regulations, which stipulates: “The Authority may make an assessment of the VAT



obligations of a Person in respect of one or more Tax Periods. The Authority shall provide notification to the Taxable Person when it issues such an assessment.” Accordingly, Defendant reassessed the Tax Period Returns in question. In addition, Plaintiff submitted his Tax Return for taxable procurement at the basic rate for a total amount of (SAR 220,000.00). For the purpose of verifying the Plaintiff’s entitlement to the procurement deduction, Defendant, pursuant to Article (66.6) of the Implementing Regulations of the Law of Value Added Tax, requested Plaintiff to submit the supporting documents for the entitlement to the deduction, yet Plaintiff failed to do so, which determines that Plaintiff’s entitlement to the deduction has been forfeited due to failure to meet the conditions stipulated in Article (48) of the Common VAT Agreement of GCC States and Article (49.7) of the Implementing Regulations of the Law of Value Added Tax. Defendant concluded by requesting dismissal of Plaintiff’s Case.

On Wednesday, 23/03/2022 AD, the Department held its session via video conference in accordance with the procedures for remote video litigation and pursuant to the provisions of Article (15.2) of Tax Dispute and Violation Committee Procedures promulgated by Royal Decree No. (26040) of 21/04/1441 AH. Having called parties to Case, Mr., holder of National ID No., appeared in his capacity as Defendant’s (“ZATCA”) Representative, by virtue of Authorization No., dated .../.../..., issued by ZATCA’s Deputy Governor for Legal Affairs and Compliance. Neither Plaintiff nor his Representative appeared at the hearing. Having asked Defendant’s Representative regarding his response, he maintained the statements contained in the Reply attached to Case file. Having perused Article (20) of Tax Dispute and Violation Committee Procedures, the Department concluded that the Case is ripe for adjudication and decided to adjourn the hearing for deliberation in preparation for delivering a decision.

Grounds

Having taken cognizance of the case papers and after due examination of its documents, and having taken cognizance of the Common VAT Agreement of GCC States promulgated by Royal Decree No. (M/51) of 03/05/1438 AH, the Income Tax Law promulgated by Royal Decree No. (M/1) of 15/01/1425 AH, as amended, and its Implementing Regulations issued by Minister of Finance’s Decision No. (1535) of 11/06/1425 AH, as amended, the Law of Value Added Tax promulgated by Royal Decree No. (M/113) of 02/11/1438 AH, as amended, and its Implementing Regulations issued by issued by ZATCA “Previously GAZT” Board of Directors Decision No. (3839) of 14/12/1438 AH, as amended, and the Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. (26040) of 21/04/1441 AH, as well as other relevant laws and regulations, the Department has decided to consider the Case.

In Form: Since Plaintiff filed the Case to abolish Defendant’s decision regarding the Final Reassessment for the Tax Period for the third quarter of 2020 AD in accordance with the Law of Value Added Tax and its Implementing Regulations; and since this dispute is a Tax dispute, it then falls within the jurisdiction of the Committee for Determination of Income Tax Violations and Disputes under Royal Decree No. (26040) of 21/04/1441 AH; and since the Case was filed with a party having capacity and within the prescribed statutory period, it is then accepted in form.

On Merits: The Department, having taken cognizance of documents included in Case File, requests, defenses, and pleas raised by parties thereto, found that the dispute lies in Plaintiff’s objection to Defendant’s decision regarding the Final Reassessment for the Tax Period for the third quarter of 2020 AD, found the following:

1. Item (Taxable Local Procurement at Basic Rate):

Since the dispute between parties hereto is over the notification of the Final Assessment for the Tax Period for the third quarter of 2020 AD, resulting from Defendant’s exclusion



of taxable local procurement at basic rate in the amount of (SAR 220,000), due to Plaintiff's failure to submit the supporting documents for his entitlement to the deduction; and since Plaintiff has failed to submit the supporting documents for the entitlement to the deduction; and since Article (48.1) of the Common VAT Agreement of GCC States stipulates: "For purposes of exercising the right of deduction, the Taxable Person must hold the following documents: a) the Tax Invoice received pursuant to the provisions of this Agreement; b) the customs documents proving that he imported the Goods in accordance with the Common Customs Law;" and since Article (49.8) of the Implementing Regulations of the Law of Value Added Tax stipulates: "A deduction of Input Tax may be made by a Taxable Person in a Tax Period subsequent to that Tax Period including the date of Supply, provided that the Taxable Person remains eligible to make such deduction under the other provisions of these Regulations. Input Tax may not be deducted in any period which falls more than five calendar years after the calendar year in which the Supply takes place;" Therefore, the Department satisfies to uphold Defendant's decision as to the conclusion it had in this regard.

In light of the above grounds and after deliberation, the Department unanimously decided the following:

Decision

Dismiss Plaintiff's Case.

This Decision was delivered in the presence of Both Parties. The Department has set thirty (30) days for receipt of a copy of this Decision, and it may be extended to another same period as the Department deems appropriate. Parties hereto may appeal against this Decision under Law within thirty (30) days from the day following the date specified for its receipt, whereafter the Decision is deemed final and enforceable.

May Allah's Blessings And Peace Be Upon Our Prophet Muhammad And His Family
And Companions.

(The Decision is deemed final and imperative by the lapse of the objection period under Article (40) of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Riyadh

Decision No.: VTR-2022-536
Case No.: V-70925-2022

Key words:

Value Added Tax – Field Examination Fine – Incomplete Tax Identification Number – Violation of Tax Invoice Requirements – Uphold of Defendant’s Decision – Dismissal of Plaintiff’s Case.

Abstract

Plaintiff (“Taxpayer”) filed this Case moving to abolish Defendant’s (“ZATCA”) decision regarding the imposition of a field examination fine in the amount of (SAR 10,000) due to an Incomplete TIN in the invoice.

The Department Found That:

Plaintiff stated that it was the result of an unintentional technical error by the company responsible for printing the invoices and that the provisions of the Common VAT Agreement of GCC States, the Law of Value Added Tax, and its Implementing Regulations have clearly clarified the requirements of the tax invoice, as the responsibility for the correctness of the availability of the regulatory requirements in the simplified tax invoice falls on Plaintiff; thus, his negligence and neglect are not nullified.

The Department Decided To:

Dismiss Plaintiff’s Case.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Decree No. \(26040\) dated 21/04/1441 AH.](#)
- Article (45.3) of [Law of Value Added Tax promulgated by Royal Decree No. \(M/113\) of 02/11/1438 AH.](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH.](#)
- [Common VAT Agreement of GCC States, November 2016](#), ratified by Royal Decree No. (M/51) of 03/05/1438 AH.
- Article (53.8) [of Implementing Regulations of Law of Value Added Tax issued by ZATCA “Previously GAZT” Board of Directors Decision No. \(3839\) of 14/12/1438 AH, corresponding 14/11/2016 AD.](#)
- [Implementing Regulations of the Income Tax Law promulgated by Minister of Finance Decision No. \(1535\) of 11/06/1425 AH.](#)

Facts

Facts of the Case are summarized as follows: Mr., holder of National ID No., in his capacity as the Owner of Establishment, C.R. No.; has filed a statement of claim objecting to the decision issued by Zakat, Tax, and Customs Authority (“ZATCA”/ “Defendant”) regarding the imposition of a field examination fine in the



amount of (SAR 10,000) due to an Incomplete Tax Identification Number (“TIN”) in the invoice and requested abolishment of the Defendant’s decision.

Having presented the statement of claim to Defendant, it submitted a Reply that included the following:

“1. On 29/06/2021 AD, Defendant’s representatives visited Plaintiff’s premises and examined the simplified invoices submitted by Plaintiff during the field examination to ensure the proper application of the Law of Value Added Tax and its Implementing Regulations. After inspection, Defendant’s representatives found that Plaintiff has violated the requirements of the simplified invoice set forth in Article (53.8/B) of the Implementing Regulations of the Law of Value Added Tax, which stipulates: “b) The name, address, and Tax Identification Number of the Supplier,” as the invoices issued by Plaintiff included an incomplete TIN, which resulted in a violation committed by Plaintiff.

2. Having verified Plaintiff violation of the provisions of the Law of Value Added Tax and its Implementing Regulations as stated above, Defendant fined Plaintiff an amount of (SAR 10,000) pursuant to Article (45.3) of the Law of Value Added Tax, which stipulates: “A fine not exceeding 50,000 riyals shall be imposed on any person who:; 3. Violates any other provision of the Law or the Regulations.” Defendant concluded by requesting dismissal of Plaintiff’s Case.”

On Sunday, 20/03/2022 AD, the Department held its session via video conference in accordance with the procedures for remote video litigation and pursuant to the provisions of Article (15.2) of Tax Dispute and Violation Committee Procedures promulgated by Royal Decree No. (26040) of 21/04/1441 AH. Having called parties to Case, Mr., holder of National ID No., appeared in his capacity as Defendant’s (“ZATCA”) Representative, by virtue of Authorization No., dated .../.../..., issued by ZATCA’s Deputy Governor for Legal Affairs and Compliance. Neither Plaintiff nor his Representative appeared at the hearing. Having asked Defendant’s Representative regarding his response, he maintained the statements contained in the Reply attached to Case file. Having perused Article (20) of Tax Dispute and Violation Committee Procedures, the Department concluded that the Case is ripe for adjudication and decided to adjourn the hearing for deliberation in preparation for delivering a decision.

Grounds

Having taken cognizance of the case papers and after due examination of its documents, and having taken cognizance of the Common VAT Agreement of GCC States promulgated by Royal Decree No. (M/51) of 03/05/1438 AH, the Income Tax Law promulgated by Royal Decree No. (M/1) of 15/01/1425 AH, as amended, and its Implementing Regulations issued by Minister of Finance’s Decision No. (1535) of 11/06/1425 AH, as amended, the Law of Value Added Tax promulgated by Royal Decree No. (M/113) of 02/11/1438 AH, as amended, and its Implementing Regulations issued by issued by ZATCA “Previously GAZT” Board of Directors Decision No. (3839) of 14/12/1438 AH, as amended, and the Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. (26040) of 21/04/1441 AH, as well as other relevant laws and regulations, the Department has decided to consider the Case.

In Form: Since Plaintiff filed the Case to abolish Defendant’s decision regarding the imposition of a field examination fine in accordance with the Law of Value Added Tax and its Implementing Regulations; and since this dispute is a Tax dispute, it then falls within the jurisdiction of the Committee for Determination of Income Tax Violations and Disputes under Royal Decree No. (26040) of 21/04/1441 AH; and since the Case was filed with a party having capacity and within the prescribed statutory period, it is then accepted in form.



On Merits: Having taken cognizance of the case papers and documents and granted parties thereto sufficient time to present all arguments and documents, the Department found that the dispute lies in Plaintiff's objection to Defendant's decision regarding the imposition of a field examination fine in the amount of (SAR 10,000) due to an Incomplete TIN in the invoice, wherein Plaintiff stated that it was the result of an unintentional technical error by the company responsible for printing the invoices; and since the provisions of the Common VAT Agreement of GCC States, the Law of Value Added Tax, and its Implementing Regulations have clearly clarified the requirements of the tax invoice, and that responsibility for the correctness of the availability of the regulatory requirements in the simplified tax invoice falls on Plaintiff; thus, his negligence and neglect are not nullified; and since Article (53.8/B) of the Implementing Regulations of the Law of Value Added Tax stipulates: A simplified Tax Invoice shall include the following details:; b) The name, address and Tax Identification Number of the Supplier;" and since Article (45.3) of the Law of Value Added Tax stipulates: "A fine not exceeding 50,000 riyals shall be imposed on any person who:; 3. violates any other provision of the Law or the Regulations;" Therefore, the Department satisfies to uphold Defendant's decision as to the conclusion it had in this regard.

In light of the above grounds and after deliberation, the Department unanimously decided the following:

Decision

Dismiss Plaintiff's Case.

This Decision was delivered in the presence of Both Parties, in accordance with the provisions of Article (56) of Law of Civil Procedure. Date of depositing this Decision in the e-system of General Secretariat of Zakat, Tax and Customs Committees is considered the date of delivery of the Decision. This Decision is deemed final and enforceable under Article (42) of Tax Dispute and Violation Committee Procedures.

May Allah's Blessings And Peace Be Upon Our Prophet Muhammad And His Family
And Companions.



Committee for Determination of Tax Violations and
Disputes
Third Department to Adjudicate Value Added Tax
Violations and Disputes
In Riyadh

Decision No.: VTR-2022-546
Case No.: V-2021-60968

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Key words:

Value Added Tax – Field Examination Fine – Failure to Clarify the Tax Due – Failure to Provide Evidence Refuting the Imposition of the Fine – Dismissal of Case.

Abstract

Plaintiff (“Taxpayer”) filed this Case moving to abolish Defendant’s (“ZATCA”) decision regarding the imposition of a field examination fine in the amount of (SAR 10,000) resulting from the failure to clarify the tax due.

The Department Found That:

Plaintiff has failed to provide evidence refuting Defendant’s decision regarding the imposition of the said fine. Article (53.8/E) of the Implementing Regulations of the Law of Value Added Tax stipulates: “8. A simplified Tax Invoice shall include the following details: e. The Tax payable or a statement that the Consideration is inclusive of Tax in respect of the Supply of the Goods or services.”

The Department Decided To:

Dismiss Plaintiff’s Case.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH.](#)
- Articles (2) and (45.3) of [Law of Value Added Tax promulgated by Royal Decree No. \(M/113\) of 02/11/1438 AH.](#)
- Article (53.8/E) of [Implementing Regulations of Law of Value Added Tax issued by ZATCA “Previously GAZT” Board of Directors Decision No. \(3839\) of 14/12/1438 AH, corresponding 14/11/2016 AD.](#)
- Article (25.1) of [Common VAT Agreement of GCC States](#), promulgated by Royal Decree No. (M/51) of 03/05/1438 AH.

Facts

Facts of the Case are summarized as follows: Mr., holder of National ID No., in his capacity as the Owner of Establishment, C.R. No.; has filed a statement of claim objecting to the decision issued by Zakat, Tax, and Customs Authority (“ZATCA”/ “Defendant”) regarding the imposition of a field examination fine in the amount of (SAR 10,000) resulting from the failure to clarify the tax due and requested abolishment of the Defendant’s decision.

Having presented the statement of claim to Defendant, it submitted a Reply that included the following:

“1. Defendant’s representatives visited Plaintiff’s premises and examined the simplified invoices submitted by Plaintiff during the field examination. After inspection, Defendant’s



representatives found that Plaintiff has violated the provisions set forth in Article (25.1) of the Common VAT Agreement of GCC States, Article (2) of the Law of Value Added Tax, and Article (53.8) of the Implementing Regulations of the Law of Value Added Tax, as these invoices did not include the value of the tax due at the rate set forth in the Law.

2. Having verified Plaintiff violation of the provisions of the Law of Value Added Tax and its Implementing Regulations as stated above, Defendant fined Plaintiff an amount of (SAR 10,000) pursuant to Article (45.3) of the Law of Value Added Tax, which stipulates: “A fine not exceeding 50,000 riyals shall be imposed on any person who:; 3. Violates any other provision of the Law or the Regulations.” Defendant concluded by requesting dismissal of Plaintiff’s Case.”

On Wednesday, 23/03/2022 AD, the Department held its session via video conference in accordance with the procedures for remote video litigation and pursuant to the provisions of Article (15.2) of Tax Dispute and Violation Committee Procedures promulgated by Royal Decree No. (26040) of 21/04/1441 AH. Having called parties to Case, Mr., holder of National ID No., appeared in his capacity as Defendant’s (“ZATCA”) Representative, by virtue of Authorization No., dated .../.../..., issued by ZATCA’s Deputy Governor for Legal Affairs and Compliance. Neither Plaintiff nor his Representative appeared at the hearing. Having asked Defendant’s Representative regarding his response, he maintained the statements contained in the Reply attached to Case file. Having perused Article (20) of Tax Dispute and Violation Committee Procedures, the Department concluded that the Case is ripe for adjudication and decided to adjourn the hearing for deliberation in preparation for delivering a decision.

Grounds

Having taken cognizance of the case papers and after due examination of its documents, and having taken cognizance of the Common VAT Agreement of GCC States promulgated by Royal Decree No. (M/51) of 03/05/1438 AH, the Income Tax Law promulgated by Royal Decree No. (M/1) of 15/01/1425 AH, as amended, and its Implementing Regulations issued by Minister of Finance’s Decision No. (1535) of 11/06/1425 AH, as amended, the Law of Value Added Tax promulgated by Royal Decree No. (M/113) of 02/11/1438 AH, as amended, and its Implementing Regulations issued by issued by ZATCA “Previously GAZT” Board of Directors Decision No. (3839) of 14/12/1438 AH, as amended, and the Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. (26040) of 21/04/1441 AH, as well as other relevant laws and regulations, the Department has decided to consider the Case.

In Form: Since Plaintiff filed the Case to abolish Defendant’s decision regarding the imposition of a field examination fine resulting from the failure to clarify the tax due in accordance with the Law of Value Added Tax and its Implementing Regulations; and since this dispute is a Tax dispute, it then falls within the jurisdiction of the Committee for Determination of Income Tax Violations and Disputes under Royal Decree No. (26040) of 21/04/1441 AH; and since the Case was filed with a party having capacity and within the prescribed statutory period, it is then accepted in form.

On Merits: Having taken cognizance of the case papers and documents and granted parties thereto sufficient time to present all arguments and documents, the Department found that the dispute lies in Plaintiff’s objection to Defendant’s decision regarding the imposition of a field examination fine in the amount of (SAR 10,000) resulting from the failure to clarify the tax due, by virtue of fine imposition notification, which included field examination violation No., dated 02/05/2021 AD, and its details “failure to clarify the tax due,” as well as Invoice No., dated 27/04/2021 AD, which shows the absence of a clarification of the tax due; and since Plaintiff has failed to provide evidence refuting Defendant’s decision regarding the imposition of the said fine; and since Article (25.1) of



the Common VAT Agreement of GCC States stipulates: “1. Tax shall be applied at the standard rate of (5%) of the value of the Supply or the value of Imports, unless this Agreement provides for an exemption or the zero-rate on such supplies;” and since Article (2) of the Law of Value Added Tax stipulates: “Tax shall be imposed on the import and supply of goods and services in accordance with the provisions stipulated in the Agreement, the Law, and the Regulations;” and since Article (53.8/E) of the Implementing Regulations of the Law of Value Added Tax stipulates: “8. A simplified Tax Invoice shall include the following details: e. The Tax payable or a statement that the Consideration is inclusive of Tax in respect of the Supply of the Goods or services;” and since Article (45.3) of the Law of Value Added Tax stipulates: “A fine not exceeding 50,000 riyals shall be imposed on any person who:; 3. violates any other provision of the Law or the Regulations;” Therefore, the Department satisfies to abolish Defendant’s decision regarding the imposition of the fine in question.

In light of the above the grounds and after deliberation, the Department unanimously decided the following:

Decision

Dismiss Plaintiff’s Case.

This Decision was delivered in the presence of Both Parties, in accordance with the provisions of Article (56) of Law of Civil Procedure. Date of depositing this Decision in the e-system of General Secretariat of Zakat, Tax and Customs Committees is considered the date of delivery of the Decision. This Decision is deemed final and enforceable under Article (42) of Tax Dispute and Violation Committee Procedures.

May Allah’s Blessings And Peace Be Upon Our Prophet Muhammad And His Family
And Companions.



Committee for Determination of Tax Violations and
Disputes
Third Department to Adjudicate Value Added Tax
Violations and Disputes
In Riyadh

Decision No.: VTR-2022-573
Case No.: V-58988-2021

Key words:

Value Added Tax – Final Reassessment – Taxable Local Procurement at Basic Rate – Dismissal of Plaintiff's Case.

Abstract

Plaintiff ("Taxpayer") filed this Case moving to abolish Defendant's ("ZATCA") decision regarding the Final Reassessment for the Tax Period for the first quarter of 2020 AD, wherein the dispute lies in Defendant's exclusion of taxable local procurement at basic rate, due to the lack of a document guaranteeing the right to deduction.

The Department Found That:

Plaintiff has failed to submit the supporting documents for the entitlement to the deduction.

The Department Decided To:

Dismiss Plaintiff's Case.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Law of Value Added Tax promulgated by Royal Decree No. \(M/113\) dated 11/02/1438 AH](#)
- Article (49.8) of [the Implementing Regulations of Law of Value Added Tax issued by ZATCA "Previously GAZT" Board of Directors Decision No. \(3839\) of 14/12/1438 AH, corresponding 14/11/2016 AD.](#)
- Article (48.1) of [Common VAT Agreement of GCC States.](#)

Facts

Facts of the Case are summarized as follows: Mr., holder of National ID No., in his capacity as the Owner of Establishment, C.R. No.; has filed a statement of claim objecting to the decision issued by Zakat, Tax, and Customs Authority ("ZATCA"/ "Defendant") regarding the Final Reassessment for the Tax Period for the first quarter of 2020 AD and requested abolishment of Defendant's decision.

Having presented the statement of claim to Defendant, it submitted a Reply that included the following:

With regard to item (Taxable Local Procurement at Basic Rate), Defendant clarifies that it had exercised its statutory right to verify the accuracy of Tax Returns in accordance with Article (26.1) of the Law of Value Added Tax, which stipulates: "The Authority may conduct a tax assessment of a taxable person irrespective of the tax return filed by him," and Article (64) of its Implementing Regulations, which stipulates: "The Authority may make an assessment of the VAT obligations of a Person in respect of one or more Tax Periods. The Authority shall provide notification to the Taxable Person when it issues such



an assessment.” This resulted in amending the item in question, as Defendant excluded amounts that violate the provisions of Article (48/A) of the Common VAT Agreement of GCC States, which stipulates: “For purposes of exercising the right of deduction, the Taxable Person must hold the following documents: a) the Tax Invoice received pursuant to the provisions of this Agreement,” as well as Article (49) of the Implementing Regulations of the Law of Value Added Tax. Defendant concluded by requesting dismissal of Plaintiff’s Case.

On Monday, 21/03/2022 AD, the Department held its session via video conference in accordance with the procedures for remote video litigation and pursuant to the provisions of Article (15.2) of Tax Dispute and Violation Committee Procedures promulgated by Royal Decree No. (26040) of 21/04/1441 AH. Having called parties to Case, Plaintiff appeared in his own capacity; and Mr., holder of National ID No., appeared in his capacity as Defendant’s (“ZATCA”) Representative, by virtue of Authorization No., dated .../.../..., issued by ZATCA’s Deputy Governor for Legal Affairs and Compliance. Having asked Plaintiff’s Attorney regarding the Case, he maintained the statements contained in the statement of claim previously submitted to General Secretariat of Tax Committees. Having asked Defendant’s Representative regarding his response, he maintained the statements contained in the Reply previously submitted to General Secretariat of Tax Committees. Having asked Parties hereto whether they had further statements, they were satisfied with their earlier submissions. Therefore, the Department decided to postpone consideration of the Case to April 4 at 2:00 PM, on the condition that Plaintiff submits the supporting documents for his claim before March 24, provided that Defendant shall review these documents and submit its response before March 31. If parties hereto were delayed without an excuse acceptable to the Department, this will be considered a refrainment in accordance with the provisions of Article (112) of Law of Civil Procedure.

On Wednesday, 06/04/2022 AD, the Department held its session via video conference in accordance with the procedures for remote video litigation and pursuant to the provisions of Article (15.2) of Tax Dispute and Violation Committee Procedures promulgated by Royal Decree No. (26040) of 21/04/1441 AH. Having called parties to Case, Plaintiff appeared in his own capacity; and Mr., holder of National ID No., appeared in his capacity as Defendant’s (“ZATCA”) Representative, by virtue of Authorization No., dated .../.../..., issued by ZATCA’s Deputy Governor for Legal Affairs and Compliance. Having reviewed the documents submitted by Plaintiff, the Department asked Defendant’s Representative regarding his response to these documents, wherein he stated that the invoices submitted by Plaintiff did not comply with the regulatory requirements. Having asked Plaintiff regarding his response, he stated that the invoices were not issued by him. Having asked Parties hereto whether they had further statements, they were satisfied with their earlier submissions. Therefore, the Department decided to adjourn the hearing for deliberation in preparation for delivering a decision.

Grounds

Having taken cognizance of the case papers and after due examination of its documents, and having taken cognizance of the Common VAT Agreement of GCC States promulgated by Royal Decree No. (M/51) of 03/05/1438 AH, the Income Tax Law promulgated by Royal Decree No. (M/1) of 15/01/1425 AH, as amended, and its Implementing Regulations issued by Minister of Finance’s Decision No. (1535) of 11/06/1425 AH, as amended, the Law of Value Added Tax promulgated by Royal Decree No. (M/113) of 02/11/1438 AH, as amended, and its Implementing Regulations issued by issued by ZATCA “Previously GAZT” Board of Directors Decision No. (3839) of 14/12/1438 AH, as amended, and the Tax Dispute and Violation Committee Procedures



promulgated by Royal Order No. (26040) of 21/04/1441 AH, as well as other relevant laws and regulations, the Department has decided to consider the Case.

In Form: Since Plaintiff filed the Case to abolish Defendant's decision regarding the Final Reassessment for the Tax Period for the first quarter of 2020 AD in accordance with the Law of Value Added Tax and its Implementing Regulations; and since this dispute is a Tax dispute, it then falls within the jurisdiction of the Committee for Determination of Income Tax Violations and Disputes under Royal Decree No. (26040) of 21/04/1441 AH; and since the Case was filed with a party having capacity and within the prescribed statutory period, it is then accepted in form.

On Merits: Having taken cognizance of the case papers and documents and granted parties thereto sufficient time to present all arguments and documents, the Department found that the dispute lies in Plaintiff's objection to Defendant's decision regarding the Final Reassessment for the Tax Period for the first quarter of 2020 AD, found the following: 1. Item (Taxable Local Procurement at Basic Rate): Since the dispute between parties hereto is over the notification of the Final Assessment for the Tax Period for the first quarter of 2020 AD, resulting from Defendant's exclusion of taxable local procurement at basic rate, due to the lack of a document guaranteeing the right to deduction; and since Plaintiff has failed to submit the supporting documents for the entitlement to the deduction; and since Article (48.1) of the Common VAT Agreement of GCC States stipulates: "For purposes of exercising the right of deduction, the Taxable Person must hold the following documents: a) the Tax Invoice received pursuant to the provisions of this Agreement; b) the customs documents proving that he imported the Goods in accordance with the Common Customs Law;" and since Article (49.8) of the Implementing Regulations of the Law of Value Added Tax stipulates: "A deduction of Input Tax may be made by a Taxable Person in a Tax Period subsequent to that Tax Period including the date of Supply, provided that the Taxable Person remains eligible to make such deduction under the other provisions of these Regulations. Input Tax may not be deducted in any period which falls more than five calendar years after the calendar year in which the Supply takes place;" Therefore, the Department satisfies to dismiss Plaintiff's Case and uphold Defendant's decision as to the conclusion it had in this regard.

In light of the above grounds and after deliberation, the Department unanimously decided the following:

Decision

First:

Accept Plaintiff's Case in form.

Second:

Dismiss Plaintiff's Case on merits.

This Decision was issued in the presence of Both Parties. Date of depositing the Decision in the e-system of the General Secretariat of Zakat, Tax and Customs Committees is considered the date of delivery of the Decision. Parties hereto may appeal against the decision under Law within thirty (30) days from the day following the date specified for its receipt, whereafter the Decision is deemed final and enforceable.

May Allah's Blessings And Peace Be Upon Our Prophet Muhammad And His Family
And Companions.

(The Decision is deemed final and imperative by expiration of objection period under Article (40) of Tax Dispute and Violation Committee Procedures).





Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Riyadh

Decision No.: VTR-2022-585
Case No.: V-75828-2022

Key words:

Value Added Tax – Field Examination Fine – Incomplete Tax Identification Number – Violation of Tax Invoice Requirements – Uphold of Defendant’s Decision – Dismissal of Plaintiff’s Case.

Abstract

Plaintiff (“Taxpayer”) filed this Case moving to abolish Defendant’s (“ZATCA”) decision regarding the imposition of a field examination fine in the amount of (SAR 10,000), due to non-compliance with the requirements of the tax invoices, represented by an Incomplete TIN in the invoice.

The Department Found That:

Plaintiff had incorrectly written the TIN in his invoice and that the provisions of the Common VAT Agreement of GCC States, the Law of Value Added Tax, and its Implementing Regulations have clearly clarified the requirements of the tax invoice, as the responsibility for the correctness of the availability of the regulatory requirements in the simplified tax invoice falls on Plaintiff; thus, his negligence and neglect are not nullified.

The Department Decided To:

Dismiss Plaintiff’s Case.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- Article (45.3) of [Law of Value Added Tax promulgated by Royal Decree No. \(M/113\) of 02/11/1438 AH](#)
- Article (53.8) of [the Implementing Regulations of Law of Value Added Tax issued by ZATCA “Previously GAZT” Board of Directors Decision No. \(3839\) of 14/12/1438 AH, corresponding 14/11/2016 AD](#)
- [Common VAT Agreement of GCC States, November 2016](#), ratified by Royal Decree No. (M/51) of 03/05/1438 AH.

Facts

Facts of the Case are summarized as follows: Mr., holder of National ID No., in his capacity as the Owner of Establishment, C.R. No.; has filed a statement of claim objecting to the decision issued by Zakat, Tax, and Customs Authority (“ZATCA”/ “Defendant”) regarding the imposition of a field examination fine in the amount of (SAR 10,000) due to an Incomplete Tax Identification Number (“TIN”) in the invoice and requested abolishment of the Defendant’s decision.

Having presented the statement of claim to Defendant, it submitted a Reply that included the following:



“1. On 03/08/2021 AD, Defendant’s representatives visited Plaintiff’s premises and examined the simplified invoices submitted by Plaintiff during the field examination to ensure the proper application of the Law of Value Added Tax and its Implementing Regulations. After inspection, Defendant’s representatives found that Plaintiff has violated the requirements of the simplified invoice set forth in Article (53.8/B) of the Implementing Regulations of the Law of Value Added Tax, which stipulates: “b) The name, address, and Tax Identification Number of the Supplier.”

2. Having verified Plaintiff violation of the provisions of the Law of Value Added Tax and its Implementing Regulations as stated above, Defendant fined Plaintiff an amount of (SAR 10,000) pursuant to Article (45.3) of the Law of Value Added Tax, which stipulates: “A fine not exceeding 50,000 riyals shall be imposed on any person who:; 3. Violates any other provision of the Law or the Regulations.” Defendant concluded by requesting dismissal of Plaintiff’s Case.”

On Wednesday, 06/04/2022 AD, the Department held its session via video conference in accordance with the procedures for remote video litigation and pursuant to the provisions of Article (15.2) of Tax Dispute and Violation Committee Procedures promulgated by Royal Decree No. (26040) of 21/04/1441 AH. Having called parties to Case, Mr., holder of National ID No., appeared in his capacity Plaintiff’s Attorney, under POA No.; and Mr., holder of National ID No., appeared in his capacity as Defendant’s (“ZATCA”) Representative, by virtue of Authorization No., dated .../.../..., issued by ZATCA’s Deputy Governor for Legal Affairs and Compliance. Having asked Plaintiff’s Attorney regarding the Case, he maintained the statements contained in the statement of claim previously submitted to General Secretariat of Tax Committees. Having asked Defendant’s Representative regarding his response, he maintained the statements contained in the Reply. Having asked Parties hereto whether they had further statements, they were satisfied with their earlier submissions. Therefore, the Department decided to adjourn the hearing for deliberation in preparation for delivering a decision.

Grounds

Having taken cognizance of the case papers and after due examination of its documents, and having taken cognizance of the Common VAT Agreement of GCC States promulgated by Royal Decree No. (M/51) of 03/05/1438 AH, the Income Tax Law promulgated by Royal Decree No. (M/1) of 15/01/1425 AH, as amended, and its Implementing Regulations issued by Minister of Finance’s Decision No. (1535) of 11/06/1425 AH, as amended, the Law of Value Added Tax promulgated by Royal Decree No. (M/113) of 02/11/1438 AH, as amended, and its Implementing Regulations issued by issued by ZATCA “Previously GAZT” Board of Directors Decision No. (3839) of 14/12/1438 AH, as amended, and the Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. (26040) of 21/04/1441 AH, as well as other relevant laws and regulations, the Department has decided to consider the Case.

In Form: Since Plaintiff filed the Case to abolish Defendant’s decision regarding the imposition of a field examination fine in accordance with the Law of Value Added Tax and its Implementing Regulations; and since this dispute is a Tax dispute, it then falls within the jurisdiction of the Committee for Determination of Income Tax Violations and Disputes under Royal Decree No. (26040) of 21/04/1441 AH; and since the Case was filed with a party having capacity and within the prescribed statutory period, it is then accepted in form.

On Merits: Having taken cognizance of the case papers and documents and granted parties thereto sufficient time to present all arguments and documents, the Department found that the dispute lies in Plaintiff’s objection to Defendant’s decision regarding the



imposition of a field examination fine in the amount of (SAR 10,000), due to non-compliance with the requirements of the tax invoices, represented by an Incomplete TIN in the invoice, as a result of an incorrect writing of TIN by Plaintiff in his invoice; and since the provisions of the Common VAT Agreement of GCC States, the Law of Value Added Tax, and its Implementing Regulations have clearly clarified the requirements of the tax invoice, and that responsibility for the correctness of the availability of the regulatory requirements in the simplified tax invoice falls on Plaintiff; thus, his negligence and neglect are not nullified; and since Article (53.8/B) of the Implementing Regulations of the Law of Value Added Tax stipulates: A simplified Tax Invoice shall include the following details:; b) The name, address and Tax Identification Number of the Supplier;” and since Article (45.3) of the Law of Value Added Tax stipulates: “A fine not exceeding 50,000 riyals shall be imposed on any person who:; 3. violates any other provision of the Law or the Regulations;” Therefore, the Department satisfies to uphold Defendant’s decision as to the conclusion it had in this regard.

In light of the above grounds and after deliberation, the Department unanimously decided the following:

Decision

Dismiss Plaintiff’s Case.

This Decision was delivered in the presence of Both Parties. The Department has set thirty (30) days for receipt of a copy of this Decision, and it may be extended to another same period as the Department deems appropriate. Parties hereto may appeal against this Decision under Law within thirty (30) days from the day following the date specified for its receipt, whereafter the Decision is deemed final and enforceable.

May Allah’s Blessings And Peace Be Upon Our Prophet Muhammad And His Family And Companions.

(The Decision is deemed final and imperative by the lapse of the objection period under Article (40) of Tax Dispute and Violation Committee Procedures).

Committee for Determination of Tax Violations and
Disputes
Second Department to Adjudicate Value Added Tax
Disputes and Violations
In Riyadh

Decision No.: VSR-2022-920
Case No.: V-64004-2021

Key words:

Value Added Tax – Accept Plaintiff’s Case in Form and on Merits – Payment of Value Added Tax – Proof of Validity of Notification.



Abstract

Plaintiff (“ZATCA”) filed this Case seeking to oblige Defendant to pay the value-added tax and late payment fines for the following tax periods: (the first, second, third, and fourth quarters of 2018 AD; December 2019 AD; January, February, and March of 2020 AD), to seizure Defendant’s funds, and to oblige Defendant pay an amount of (SAR 372,496.25). Plaintiff has submitted a request to amend the claimed amount to become (SAR 605,838.25).

The Department Found That:

Defendant has failed to fulfill its tax obligations within the statutory period, despite being notified of the necessity of payment and despite being informed of the suspension of its services. Also, Defendant has failed to submit its response, which constitutes negligence and failure on its part to fulfill its tax obligations towards the rights of the state.

The Department Decided To:

Obligate Defendant to pay Plaintiff (ZATCA) an amount of (SAR 605,838.25).

Documents:

- Article (15.2) of [Tax Disputes and Violations Committee Procedures promulgated by Royal Order No. \(26040\) of 21/04/1441 AH.](#)
- Article (67.8) of [Income Tax Law issued by Royal Decree No. \(M/1\) of 15/01/1425 AH.](#)
- [Law of Value Added Tax promulgated by Royal Decree No. \(M/113\) of 02/11/1438 AH.](#)
- [Implementing Regulations of the Income Tax Law issued by Minister of Finance’s Decision No. \(1535\) of 11/06/1425 AH, as amended.](#)
- Article (59) of [the Implementing Regulations of Value Added Tax Law issued by resolution of the Board of Directors of ZATCA No. \(3839\) dated 14 Dhul-Hijjah 1438 AH \(corresponding to November 14, 2016\).](#)
- Common VAT Agreement of GCC States, November 2016, ratified by Royal Decree No. (M/51) of 03/05/1438 AH.

Facts

Facts of the Case are summarized as follows: The Zakat, Tax, and Customs Authority (“ZATCA”/ “Plaintiff”) has filed a statement of claim requesting to oblige Defendant (..... Company, C.R. No.) to pay the value-added tax and late payment fines for the following tax periods: (the first, second, third, and fourth quarters of 2018 AD; December 2019 AD; January, February, and March of 2020 AD), to seizure Defendant’s funds, and to oblige Defendant pay an amount of (SAR 372,496.25). However, Defendant did not submit its response despite being served with the Case being filed against and that its response is required.

On Thursday, 06/01/2022 AD, the Department held its first session via video conference in accordance with the procedures for remote video litigation and pursuant to the provisions of Article (15.2) of Tax Dispute and Violation Committee Procedures promulgated by Royal Decree No. (26040) of 21/04/1441 AH. Having called parties to Case, Ms., holder of National ID No., appeared in her capacity as Plaintiff’s (“ZATCA”) Representative, by virtue of Authorization No., dated 04/06/1442 AH, issued by ZATCA’s Deputy Governor for Legal Affairs and Compliance. Neither Defendant nor its Representative appeared at the hearing, despite being legally served with its date. Therefore, the Department decided to postpone consideration of the Case to the session on Thursday, 27/02/2022 AD, at 2:00 PM.



On Thursday, 27/01/2022 AD, the Department held its first session via video conference in accordance with the procedures for remote video litigation and pursuant to the provisions of Article (15.2) of Tax Dispute and Violation Committee Procedures promulgated by Royal Decree No. (26040) of 21/04/1441 AH. Having called parties to Case, Mr., holder of National ID No., appeared in his capacity as Plaintiff's ("ZATCA") Representative, by virtue of Authorization No., dated 04/06/1442 AH, issued by ZATCA's Deputy Governor for Legal Affairs and Compliance. Neither Defendant nor its Representative appeared at the hearing, despite being legally served with its date. Having asked Plaintiff's Representative regarding the Case, he maintained the statements contained in the statement of claim, as well as the corrective memorandum and its documents submitted. Having asked Plaintiff's Representative whether he had further statements, he was satisfied with the earlier submission. Therefore, the Department decided to adjourn the hearing for deliberation in preparation for delivering a decision.

Grounds

Having taken cognizance of the case papers and after due examination of its documents, having perused the Income Tax law promulgated by Royal Decree No. (M/1) of 15/01/1425 AH, as amended, and its Implementing Regulations issued by the Minister of Finance's Decision No. (1535) of 11/06/1425 AH, as amended, the Law of Value Added Tax promulgated by Royal Decree No. (M/113) of 02/11/1438 AH, as amended, and its Implementing Regulations issued by ZATCA "Previously GAZT" Board of Directors Decision No. (3839) of 14/12/1438 AH, as amended, the Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. (26040) of 11/06/1441 AH, and the Common VAT Agreement of GCC States promulgated by Royal Decree No. (M/51) of 03/05/1438 AH, as well as other relevant laws and regulations, the Department has decided to consider the Case.

In Form: Since Plaintiff filed the Case via the e-portal of the General Secretariat of Zakat, Tax and Customs Committees on 09/08/2021 AD; and since the decision in question issued by Plaintiff pertains to years 2018, 2019, and 2020, the Case was then filed within the statutory period specified by five years set forth in Article (67.8) of the Income Tax law amended by Royal Decree No. (M/113), which stipulates: "Tax dispute lawsuits may not be heard upon the lapse of five years from the maturity date of the amount subject of the claim or the date of knowledge of the incident subject to the dispute, except in the presence of grounds acceptable by the Committee," the Case is then accepted in form.

On Merits: Since Plaintiff filed the Case seeking to oblige Defendant to pay an amount of (SAR 372,496.25), representing the value-added tax and late payment fines for the following tax periods: (the first, second, third, and fourth quarters of 2018 AD; December 2019 AD; January, February, and March of 2020 AD); and since Plaintiff has submitted a request to amend the claimed amount to become (SAR 605,838.25); and since it was proven that Defendant violated Article (59) of the Implementing Regulations of the Law of Value Added Tax, which stipulates: "Payment of Tax due by a Taxable Person in respect of a Tax Period shall be made at the latest by the last day of the month following the end of that Tax Period;" and since Defendant has failed to fulfill its tax obligations within the statutory period, despite being notified of the necessity of payment and despite being informed of the suspension of its services; and since Defendant has failed to submit its response, which constitutes negligence and failure on its part to fulfill its tax obligations towards the rights of the state; Therefore, in light of the above grounds and after deliberation, the Department unanimously decided the following:

Decision



Obligate Defendant (..... Company, C.R. No.) to pay Plaintiff (ZATCA) an amount of (SAR 605,838.25) (Six hundred and five thousand eight hundred and thirty-eight Saudi riyals and twenty-five halalas), representing the value-added tax in question and the fines resulting therefrom.

This Decision was delivered in the presence of Both Parties. The Department has set thirty (30) days for receipt of a copy of this Decision, and it may be extended to another same period as the Department deems appropriate. Parties hereto may appeal against this Decision under Law within thirty (30) days from the day following the date specified for its receipt, whereafter the Decision is deemed final and enforceable.

May Allah's Blessings And Peace Be Upon Our Prophet Muhammad And His Family
And Companions.

(The Decision is deemed final and imperative by the lapse of the objection period under Article (40) of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-198
Case No.: V-44520-2021

Key words:

Value Added Tax – Real Estate Supply – Real Estate Financing – Tax Exemption – Tax Invoice.

Abstract

Plaintiff (“Taxpayer”) filed this Case seeking to oblige Defendant to pay the VAT resulting from the sale of the property to Defendant in the amount of (SAR 29,800), wherein the dispute lies in the supply of the property to Defendant and sold to its client through real estate financing.

Plaintiff has submitted a request to amend the claimed amount to become (SAR 605,838.25).

The Department Found That:

Defendant’s client is not obligated to pay the RETT due to its exemption based on the Royal Order No. (A/84) and also its exemption from paying the tax; and since the RETT has been paid before the completion of the sale and through the system.

The Department Decided To:

Accept Plaintiff’s Case.

Documents:

- [Tax Dispute and Violation Committee Procedures promulgated by Royal Decree No. \(26040\) dated 21/04/1441 AH](#)
- [Law of Value Added Tax promulgated by Royal Decree No. \(M/113\) of 02/11/1438 AH](#)
- Common VAT Agreement of GCC States, November 2016. ratified by Royal Decree No. (M/51) of 03/05/1438 AH.
- [The Implementing Regulations of the Value Added Tax Law issued by the decision of the Board of Directors of the \(former\) General Authority of Zakat and Income - No. \(3839\) of 14/12/1438 AH corresponding to 14/11/2016 AD](#)
- Article (3) of [RETT Implementing Regulations issued by Ministerial Resolution No. \(712\) of 15/02/1442.](#)

Facts

Facts of the Case are summarized as follows: Mr., holder of National ID No., in his own capacity, has filed a statement of claim requesting to oblige Defendant (..... Bank, C.R. No.) to pay the VAT resulting from the sale of the property to Defendant in the amount of (SAR 29,800.00).

Having presented the statement of claim to Defendant, it submitted a Reply that included the following:

“First: Preamble:



On 25/03/2021 AD, Plaintiff (Mr., holder of National ID No.) filed a statement of claim with the General Secretariat of Zakat, Tax and Customs Committees against Defendant (..... Bank, C.R. No.), which can be summarized as follows:

1. Mr. (M.O.) referred to as the “External Supplier.”
2. (..... Bank) referred to as the “Financier” or “First Buyer.”
3. Mr. (M.M.) referred to as the “Beneficiary.”
4. The value of the sold property is (SAR 595,356), while the VAT is (SAR 90,890,307) (the disputed amount).
5. The Ministry of Housing refunded the VAT to Defendant by virtue of Royal Order No. (86/A) of 19/04/1439 AH, regarding the sale of the first home to the Saudi citizen “VAT for First-Time Home Buyers.”

Defendant hereby clarifies the reasons and grounds on which it based its response to Plaintiff's claim.

Second: Subjective Pleas:

“..... Bank” financed the property using the Islamic Murabaha financing formula, which complies with the Sharia and is approved by the Saudi Central Bank. Defendant also explains below the structure of Murabaha Financing and the tax treatment applied by the Bank to the basic supply in accordance with the Law of Value Added Tax and its Implementing Regulations in force within the Kingdom, as the Final Beneficiary informs the Financier that he wishes to acquire (full) ownership of an asset (in this case the asset in question is the property) and requests assistance to finance the purchase. The Final Beneficiary recommends the Financier to purchase the property from an External Supplier (the property owner). Then, the Final Beneficiary purchases the asset from the Financier. The Financier requests a mortgage on the property to ensure the Final Beneficiary's desire to acquire the property and to accept and carry out its obligations. The Financier obtains the property from the External Supplier in its own name (at the Final Beneficiary's request). Then, the Financier becomes the actual owner of the property. The External Supplier issues an invoice to the Financier in its name. The Financier pays value of the the supplied property to the External Supplier. Once the Financier becomes the owner of the property, it subsequently enters into an agreement with the Final Beneficiary, whereby it supplies the property to the Final Beneficiary for consideration. The ownership of the property is registered directly in the Final Beneficiary's name by the External Supplier and the property is mortgaged to the Financier in the same Title Deed. The consideration is paid in installments over an agreed-upon period. The fees charged by the Financier include the cost price of the property (the original amount), an agreed-upon profit, or any other possible fees. Tax Treatment of Murabaha Financing Transactions: In accordance with the Law of Value Added Tax, its Implementing Regulations, and GAZT's (ZATCA) guidelines, the following tax treatment applies to the Murabaha Financing Structure mentioned in Section (2.1) above, Defendant clarifies the following:

1. Since the property owner “External Supplier” sold the unit to (..... Bank) “Financier” and transferred its the ownership thereto, the responsibility for imposing and calculating VAT falls on the property owner (The First Sale).
2. After transferring the ownership of the property from the property owner to the Financier as a supply of goods, such supply is subject to VAT. At that time, the property owner did not provide the Financier with any tax documents in accordance with the provisions of Article (53) of the Implementing Regulations of the Law of Value Added Tax.
3. The subsequent supply of the property (The Second Sale) by the Financier to the Final Beneficiary is also considered a taxable supply of goods.
4. Accordingly, the Financier is required to calculate the VAT on the supply of the property at the full basic amount due on all installments (including the principal amount and other



taxable services that are included in the periodic installments), i.e., the Financier is required to issue a valid tax invoice addressed to the Final Beneficiary.

5. The profit amount included in the installments is exempt from VAT in accordance with Article (29) of the Implementing Regulations of the Law of Value Added Tax. Moreover, Defendant refers to Article (40) of the Common VAT Agreement of GCC States, which stipulates: “1. The Taxable Person is obligated to pay Tax due on taxable supplies of Goods and Services to the Competent Tax administration in the Member State in which the place of supply is located. 2. Any Person that states a Tax amount on any invoices issued by him becomes obligated to pay this Tax amount to the Competent Tax Administration in the Member State in which the place of supply is located.” This Article confirms that the property owner is responsible for calculating and paying the VAT to GAZT “ZATCA/Defendant” in the Kingdom. The sale of first home to the Saudi citizen “VAT for First-Time Home Buyers” under Royal Order No. (86/A) of 19/04/1439 AH, concerning the sale of the first home to Saudi citizens, stipulates that the Kingdom has agreed to bear the VAT on behalf of Saudi Citizens for the purchase of their first home, up to the amount of (SAR 850,000). This exemption is managed in cooperation with the Ministry of Housing. Below are the steps for charging VAT on sales of a first home for Saudi citizens:

1. The Final Beneficiary (i.e. the person wishing to purchase the property) requests a exemption certificate of “VAT for First-Time Home Buyers” from the Ministry of Housing’s website;
2. The Final Beneficiary submits the certificate to the Bank (in this case, the Bank is the owner and seller/supplier of the property);
3. The Bank applies the first home tax exemption to the second sale (i.e., the sale between the Bank and the Final Beneficiary) from the Ministry of Housing.
4. The Bank collects the VAT (up to an amount of “SAR 42,500”) from the Ministry of Housing;
5. The Bank collects any excess VAT (imposed on amounts exceeding “SAR 850,000”) from the Final Beneficiary;
6. As mentioned earlier, the Bank issues a valid tax invoice in the name of the Final Beneficiary and states the amount of tax imposed on the full sale amount in the Tax Return for the relevant period. The tax invoice and Tax Return must include the full VAT on the sale value. These amounts are not settled with the tax collected by the Ministry of Housing. In light of the above, Defendant affirms that the tax treatment applied by the Bank on the sale of the property under Murabaha Financing, as well as the tax treatment related to the first home for Saudi citizens, are consistent with the Law of Value Added Tax, its Implementing Regulations, and GAZT’s (ZATCA) guidelines in force within the Kingdom.

Also, the above-mentioned tax treatment applied by the Bank has also been confirmed in the guidelines issued by the Authority including the “Islamic Financing Guidelines” and the “Real Estate Financing Guidelines.” Third: Summary: The property owner or external supplier working in the field of selling real estate units must be fully aware of the Murabaha Financing Structure as well as the tax treatment applicable to such supply in accordance with the Law of Value Added Tax and its Implementing Regulations in force within the Kingdom. The Law of Value Added Tax and GAZT’s (ZATCA) Directives and Guidelines issued during 2017 and 2018, have clearly clarified the tax treatment of real estate supplies and real estate financing. Therefore, the Bank should not be responsible for the ignorance of external suppliers regarding tax treatment and non-compliance.

Moreover, the Bank cannot, under current VAT Legislations and the Royal Order, violate the tax provisions which in this case are very clear and unambiguous. Doing so may expose the Bank to the risk of non-compliance with the laws, regulations, and guidelines of ZATCA and the Ministry of Housing. Eventually, it is the responsibility of the external

supplier to have full knowledge of the Kingdom's VAT legislation and requirements, the Murabaha Financing Structure, and the financial consequences resulting therefrom. In addition to the above, Defendant affirms that the external supplier (the property owner) is fully aware that the first property sale will be submitted to Defendant in accordance with Form No. (6) entitled "Price Offer and Acceptance" concluded and signed by the external supplier with Defendant, which requires the external supplier to issue an invoice in Defendant's name for the sale. In light of the above, Defendant requests the Department to dismiss Plaintiff's Case while reserving its right to present further responses and clarifications since Defendant is constantly striving to comply with the Law of Value Added Tax applicable in the Kingdom and its Implementing Regulations and to fully cooperate with the requirements of the General Secretariat.

On Tuesday, 25/01/2022 AD, the Department held its first session via video conference in accordance with the procedures for remote video litigation and pursuant to the provisions of Article (15.2) of Tax Dispute and Violation Committee Procedures promulgated by Royal Decree No. (26040) of 21/04/1441 AH, wherein Plaintiff (Mr., holder of National ID No.) appeared in his own capacity. Neither Defendant nor its Representative appeared at the hearing. Having asked Plaintiff regarding the Case, he maintained the statements contained in the statement of claim submitted to the General Secretariat of Zakat, Tax, and Customs Committees. Since the Case is ripe for adjudication, the Department decided to adjourn the hearing for deliberation in preparation for delivering a decision.

Grounds

Having taken cognizance of the case papers and after due examination of its documents, and having taken cognizance of Law of Value Added Tax promulgated by Royal Decree No. (M/113) of 02/11/1438 AH, as amended, and its Implementing Regulations issued by issued by ZATCA "Previously GAZT" Board of Directors Decision No. (3839) of 14/12/1438 AH, as amended, the Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. (26040) of 11/06/1441 AH, and the Common VAT Agreement of GCC States, as well as other relevant laws and regulations, the Department has decided to consider the Case.

In Form: Since Plaintiff filed the Case seeking to obligate Defendant (..... Bank, C.R. No.) to pay the VAT resulting from the sale of the property to Defendant; and since this dispute is a Tax dispute, it then falls within the jurisdiction of the Committee for Determination of Income Tax Violations and Disputes under Royal Decree No. (26040) of 21/04/1441 AH; and since the Case was filed with a party having capacity and within the prescribed statutory period, it is then accepted in form.

On Merits: Having taken cognizance of the case papers and documents and granted parties thereto sufficient time to present all arguments and documents, the Department found that the dispute lies in Plaintiff's request to obligate Defendant to pay the VAT resulting from the sale of the property to Defendant; and since the property was supplied to Defendant and sold to its client through real estate financing as in Deed No., dated 28/02/1442 AH, corresponding to 15/10/2020 AD; and since Defendant has imposed the VAT on Plaintiff as in the attached invoice No., dated 17/09/2020 AD; and since any legal transaction transferring ownership of the property or its possession for the purpose of owning the same or acquiring its benefit requires the imposition of a tax at a rate of (5%) of the total value of the transaction in the properties regardless of their condition, form, or use at the time of that transaction, except for matters exempted in accordance with Royal Order No. (A/84) or Article (3) of RETT Implementing Regulations; and since Defendant's client is not obligated to pay the RETT due to its exemption based on the Royal Order No. (A/84) and also its exemption from paying the



tax; and since the RETT has been paid before the completion of the sale and through the system; Therefore, the Department decides to accept Plaintiff's Case and obligate Defendant to pay an amount estimated at (SAR 29,800).

In light of the above grounds and in accordance with the provisions of the Common VAT Agreement of GCC States, the Law of Value Added Tax and its Implementing Regulations, and the Tax Dispute and Violation Committee Procedures, the Department, after deliberation, unanimously decided the following:

Decision

Accept Plaintiff's (Mr., holder of National ID No.) Case by obligating Defendant to pay an amount of (SAR 29,800) (twenty-nine thousand eight hundred Saudi riyals).

This Decision was delivered in the presence of Both Parties. The Department has set thirty (30) days for receipt of a copy of this Decision, and it may be extended to another same period as the Department deems appropriate. Parties hereto may appeal against this Decision under Law within thirty (30) days from the day following the date specified for its receipt, whereafter the Decision is deemed final and enforceable.

May Allah's Blessings And Peace Be Upon Our Prophet Muhammad And His Family
And Companions.

(The Decision is deemed final and imperative by the lapse of the objection period under Article (40) of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and Disputes
First Department to Adjudicate of Value Added Tax Violations and Disputes
In Riyadh

Decision No.: VR- 2022- 68
Case No.: V-65986-2021

Key words:

Value Added Tax – Tax Invoice – Field Examination Fine – Dismissal of Plaintiff's Case.

Abstract

Plaintiff ("Taxpayer") filed this Case moving to abolish Defendant's ("ZATCA") decision regarding the imposition of a fine for field examination in the amount of (SAR 10,000), due to non-compliance with the requirements of the tax invoices, represented by an incorrect writing of TIN by Plaintiff in his invoice.

The Department Found That:

Plaintiff has stated in the hearing that he uses the invoices in question which do not contain the TIN for cash transactions and that the responsibility for the correctness of the availability of the regulatory requirements in the simplified tax invoice falls on Plaintiff.

The Department Decided To:

Dismiss Plaintiff's Case.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH.](#)
- Article (45.3) of [Law of Value Added Tax promulgated by Royal Decree No. \(M/113\) of 02/11/1438 AH.](#)
- [Common VAT Agreement of GCC States, November 2016.](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH.](#)
- [Implementing Regulations of the Income Tax Law promulgated by Minister of Finance Decision No. \(1535\) of 11/06/1425 AH.](#)
- Article (53.8/B) of [Implementing Regulations of Law of Value Added Tax issued by ZATCA "Previously GAZT" Board of Directors Decision No. \(3839\) of 14/12/1438 AH, corresponding 14/11/2016 AD.](#)

Facts

Facts of the Case are summarized as follows: Mr., holder of National ID No., in his capacity as the Owner of Establishment, C.R. No.; has filed a statement of claim objecting to the decision issued by Zakat, Tax, and Customs Authority ("ZATCA"/ "Defendant") regarding the imposition of a field examination fine in the amount of (SAR 10,000) and requested cancellation of the fine in questions.

Having presented the statement of claim to Defendant, it submitted a Reply that included the following:

"1. On 26/05/2021 AD, Defendant's representatives visited Plaintiff's premises and examined the simplified invoices submitted by Plaintiff. After inspection, Defendant's representatives found that Plaintiff has violated the requirements of the simplified invoice set forth in Article (53.8/B) of the Implementing Regulations of the Law of Value Added



Tax, which stipulates: “b) The name, address, and Tax Identification Number of the Supplier.”

2. Having verified Plaintiff violation of the provisions of the Law of Value Added Tax and its Implementing Regulations as stated above, Defendant fined Plaintiff an amount of (SAR 10,000) pursuant to Decision No., dated 09/06/2021 AD, in accordance with Article (45.3) of the Law of Value Added Tax, which stipulates: “A fine not exceeding 50,000 riyals shall be imposed on any person who:; 3. Violates any other provision of the Law or the Regulations.” Defendant concluded by requesting dismissal of Plaintiff’s Case.”

On Thursday, 20/01/2022 AD, the Department held its session via video conference in accordance with the procedures for remote video litigation and pursuant to the provisions of Article (15.2) of Tax Dispute and Violation Committee Procedures promulgated by Royal Decree No. (26040) of 21/04/1441 AH to consider the Case filed by Plaintiff (Mr., holder of National ID No.) against Defendant (ZATCA). Having called parties to Case, Plaintiff (Mr., holder of National ID No.) appeared in his capacity; and Ms., holder of National ID No., appeared in her capacity as Defendant’s “ZATCA” Representative, by virtue of Authorization No., dated .../.../..., issued by ZATCA’s Deputy Governor for Legal Affairs and Compliance. Having verified the presence and the capacity of the parties hereto, the Department decided to proceed with the consideration of the Case, wherein Plaintiff requested to abolish Defendant’s decision regarding the imposition of a field examination fine in the amount of (SAR 10,000), as detailed in the statement of claim. Having asked Defendant’s Representative regarding her response, she maintained the statements contained in the Reply submitted in response to the Plaintiff’s statement of claim, the report of the field examination, and the invoices subject to the field examination. Having asked parties hereto whether they had further statements, Plaintiff stated that there was a TIN and that the invoice in question pertains to cash transactions, while Defendant’s Representative was satisfied with the earlier submissions. Therefore, the Department decided to close pleadings and adjourn the hearing for deliberation in preparation for delivering a decision.

Grounds

Having taken cognizance of the case papers and after due examination of its documents, and having taken cognizance of the Income Tax Law promulgated by Royal Decree No. (M/1) of 15/01/1425 AH, as amended, and its Implementing Regulations issued by Minister of Finance’s Decision No. (1535) of 11/06/1425 AH, as amended, the Law of Value Added Tax promulgated by Royal Decree No. (M/113) of 02/11/1438 AH, as amended, and its Implementing Regulations issued by ZATCA “Previously GAZT” Board of Directors Decision No. (3839) of 14/12/1438 AH, as amended, the Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. (26040) of 11/06/1441 AH, and the Common VAT Agreement of GCC States, as well as other relevant laws and regulations, the Department has decided to consider the Case.

In Form: Since Plaintiff filed the Case to abolish Defendant’s decision regarding the imposition of a field examination fine in accordance with the Law of Value Added Tax and its Implementing Regulations; and since this dispute is a Tax dispute, it then falls within the jurisdiction of the Committee for Determination of Income Tax Violations and Disputes under Royal Decree No. (26040) of 21/04/1441 AH; and since the Case was filed with a party having capacity and within the prescribed statutory period, it is then accepted in form.

On Merits: Having taken cognizance of the case papers and documents and granted parties thereto sufficient time to present all arguments and documents, the Department found that the dispute lies in Plaintiff’s objection to Defendant’s decision regarding the



imposition of a field examination fine in the amount of (SAR 10,000), due to non-compliance with the requirements of the tax invoices, represented by an incorrect writing of TIN by Plaintiff in his invoice; and having taken cognizance the report of the field examination dated 26/05/2021 AD and signed by Plaintiff's Representative, as well as the invoice subject to the field examination; and since Plaintiff has stated in the hearing that he uses the invoices in question which do not contain TIN for cash transactions; and since the responsibility for the correctness of the availability of the regulatory requirements in the simplified tax invoice falls on Plaintiff; and since it was established that Plaintiff has violated the provisions of Article (53.8/B) of the Implementing Regulations of the Law of Value Added Tax, which stipulates: "A simplified Tax Invoice shall include the following details:; b) The name, address and Tax Identification Number of the Supplier;" Therefore, the Department satisfies to uphold Defendant's decision as to the conclusion it had in imposing the fine in accordance with Article (45.3) of the Law of Value Added Tax

In light of the above grounds and after deliberation, the Department unanimously decided the following:

Decision

First:

Accept Plaintiff's case in form.

Second:

Dismiss Plaintiff's (Mr., holder of National ID No.) Case to cancel the field examination fine in the amount of (SAR 10,000).

This Decision was delivered in the presence of Both Parties. The Department has set thirty (30) days for receipt of a copy of this Decision, and it may be extended to another same period as the Department deems appropriate. Parties hereto may appeal against this Decision under Law within thirty (30) days from the day following the date specified for its receipt, whereafter the Decision is deemed final and enforceable.

May Allah's Blessings And Peace Be Upon Our Prophet Muhammad And His Family
And Companions.

(The Decision is deemed final and imperative by the lapse of the objection period under Article (40) of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-126
Case No.: V-64037-2021

Key words:

Value Added Tax – Field examination fine – Absence of Establishment’s Address in Plaintiff’s Invoice – Simplified Tax Invoice – Dismissal of Plaintiff’s Case.

Abstract

Plaintiff (“Taxpayer”) filed this Case moving to abolish Defendant’s (“ZATCA”) decision regarding the imposition of a field examination fine in the amount of (SAR 10,000) resulting from the absence of the Establishment address in the invoice, wherein the dispute lies in Plaintiff’s request to cancel the fine in question.

The Department Found That:

Plaintiff has failed to provide evidence that refutes Defendant’s arguments, nor evidence proving his adherence to the requirements of the tax invoices.

The Department Decided To:

Dismiss Plaintiff’s Case.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Law of Value Added Tax promulgated by Royal Decree No. \(M/113\) of 02/11/1438 AH](#)
- [Common VAT Agreement of GCC States, November 2016.](#)
- Article (53.8/B) of [Implementing Regulations of Law of Value Added Tax issued by ZATCA “Previously GAZT” Board of Directors Decision No. \(3839\) of 14/12/1438 AH, corresponding 14/11/2016 AD.](#)

Facts

Facts of the Case are summarized as follows: Mr., holder of National ID No., in his capacity as the Owner of Establishment, C.R. No.; has filed a statement of claim, in which he stated the following: “With reference to the above subject and to the notice of rejection of the objection under No., dated .../.../..., regarding the imposition of a field examination fine by the Zakat, Tax, and Customs Authority (ZATCA) under No., dated .../.../..., corresponding to .../.../..., in the amount of (SAR 10,000). The violation was that the invoice did not include the Establishment address, noting that during the beginning of the implementation of the Law of Value Added Tax, Plaintiff made every effort to comply with the tax laws and regulations, as the greatest focus was on adding the TIN to the invoice as well as ensuring the accuracy of the tax amount on the net invoice since it was common in ZATCA “Defendant” media that the invoice must include the TIN as well as the VAT amount. In addition, the observation of not adding the Establishment address to the tax invoice is an informational observation



that has no effect on any financial outcomes, such as the change in the total tax amount, which indicates the presence of significant manipulation that has a financial value. Moreover, given Plaintiff recent application of the Law of Value Added Tax, it is natural for some unintentional observations to appear. Plaintiff kindly asks the Department to accept his apology and justification and to exempt him from the fine incurred in this regard. Furthermore, once the inspector pointed out such an observation, Plaintiff updated the invoice systems, and the situation was addressed in a manner consistent with the tax laws and regulations (a copy after the amendment is attached herein), noting that this violation is the only observation that was recorded on the Establishment during the field examination, which confirms the truth of the statements mentioned above regarding Plaintiff's commitment to implementing all Zakat and Tax Laws in force within the Kingdom. In light of the above, Plaintiff hopes that the Department will accept his Case and issue a decision to cancel the observed violation in question, which has a major impact on the economy of his small businesses, as the Department's support through the decision to be taken is needed to ensure Plaintiff's business continuity as part of the economy of this generous nation, while emphasizing the full commitment and adherence to the Zakat and Tax Laws and Regulations.

Having presented the statement of claim to Defendant, it submitted a Reply that included the following:

"1. On 02/03/2021 AD, Defendant's representatives visited Plaintiff's premises and examined the simplified invoices submitted by Plaintiff during the field examination to ensure the proper application of the Law of Value Added Tax and its Implementing Regulations. After inspection, Defendant's representatives found that there was no address for Plaintiff, which is considered a violation of the requirements of the simplified invoice set forth in Article (53.8/B) of the Implementing Regulations of the Law of Value Added Tax, which stipulates: "b) The name, address, and Tax Identification Number of the Supplier."

2. Having verified Plaintiff violation of the provisions of the Law of Value Added Tax and its Implementing Regulations as stated above, Defendant fined Plaintiff an amount of (SAR 10,000) pursuant to Article (45.3) of the Law of Value Added Tax, which stipulates: "A fine not exceeding 50,000 riyals shall be imposed on any person who:; 3. Violates any other provision of the Law or the Regulations." Defendant concluded by requesting uphold of its decision and dismissal of Plaintiff's Case for the stated grounds, while reserving its right to present further responses and clarifications before the closure of pleadings."

On Monday, 24/01/2022 AD, the Department held its session via video conference in accordance with the procedures for remote video litigation to consider the Case filed by Plaintiff against Defendant, wherein Mr., holder of National ID No., appeared in his own capacity; and Mr., holder of National ID No., appeared in his capacity as Defendant's "ZATCA" Representative, by virtue of Authorization No., dated .../.../..., issued by ZATCA's Deputy Governor for Legal Affairs and Compliance. Having asked Plaintiff regarding the Case, he maintained the statements contained in the statement of claim previously submitted to General Secretariat of Tax Committees. Having asked Defendant's Representative regarding his response, he maintained the statements contained in the Reply previously submitted to General Secretariat of Tax Committees. Having asked Parties hereto whether they had further statements, they were satisfied with their earlier submissions. Therefore, the Department decided to adjourn the hearing for deliberation in preparation for delivering a decision.

Grounds



Having taken cognizance of the case papers and after due examination of its documents, and having taken cognizance of the Law of Value Added Tax promulgated by Royal Decree No. (M/113) of 02/11/1438 AH, as amended, and its Implementing Regulations issued by ZATCA “Previously GAZT” Board of Directors Decision No. (3839) of 14/12/1438 AH, as amended, the Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. (26040) of 11/06/1441 AH, and the Common VAT Agreement of GCC States, as well as other relevant laws and regulations, the Department has decided to consider the Case.

In Form: Since Plaintiff filed the Case to abolish Defendant’s decision regarding the imposition of a field examination fine resulting from the absence of the Establishment address; and since this dispute is a Tax dispute, it then falls within the jurisdiction of the Committee for Determination of Income Tax Violations and Disputes under Royal Decree No. (26040) of 21/04/1441 AH; and since the Case was filed with a party having capacity and within the prescribed statutory period, it is then accepted in form.

On Merits: Having taken cognizance of the case papers and documents and granted parties thereto sufficient time to present all arguments and documents, the Department found that the dispute lies in Plaintiff’s objection to Defendant’s decision regarding the imposition of a field examination fine resulting from the absence of the Establishment address; and since the imposition of the fine in question came pursuant to the report of the field examination dated 18/08/2020 AD, which included the type of violation “the invoices do not include the Establishment address;” and since Defendant has submitted in its Rejoinder Invoice No., dated .../.../..., for “..... Store,” which shows the absence of the Establishment address in the invoice issued by Plaintiff, which constitutes a violation of the provisions of Article (53.8/E) of the Implementing Regulations of the Law of Value Added Tax; and since Plaintiff has failed to provide evidence that refutes Defendant’s arguments, nor evidence proving his adherence to the requirements of the tax invoices; and since Plaintiff’s arguments does not constitute a justification for violating the provisions of the Law; Therefore, the Department satisfies to dismiss Plaintiff’s Case and uphold Defendant’s decision as to the conclusion it had in imposing the fine in question.

In light of the above grounds and in accordance with the provisions of the Common VAT Agreement of GCC States, the Law of Value Added Tax and its Implementing Regulations, and the Tax Dispute and Violation Committee Procedures, the Department, after deliberation, unanimously decided the following:

Decision

Dismiss Plaintiff’s Case.

This Decision was delivered in the presence of Both Parties. The Department has set thirty (30) days for receipt of a copy of this Decision, and it may be extended to another same period as the Department deems appropriate. This Decision is deemed final and enforceable under Article (42) of Tax Dispute and Violation Committee Procedures.



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-148
Case No.: V-50065-2021

Key words:

Value Added Tax – Final Reassessment – Undeclared Revenue – Violation of Provisions of Law of Value Added Tax and Its Implementing Regulations – Dismissal of Plaintiff's Case.

Abstract

Plaintiff ("Taxpayer") filed this Case moving to abolish Defendant's ("ZATCA") decision regarding the Final Reassessment for the Tax Period for the first quarter of 2018 AD.

The Department Found That:

Plaintiff's registration at the time of supply was valid for the provisions of the Law according to his self-registration.

The Department Decided To:

Dismiss Plaintiff's Case.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH.](#)
- Article 26 of [the Law of Value Added Tax promulgated by Royal Decree No. \(M/113\) of 02/11/1438 AH.](#)
- [Common VAT Agreement of GCC States, November 2016.](#)
- Articles (14), (56.2), and (64.1) of [Implementing From Regulations of Law of Value Added Tax issued by ZATCA "Previously GAZT" Board of Directors Decision No. \(3839\) of 14/12/1438 AH, corresponding 14/11/2016 AD.](#)

Facts

Facts of the Case are summarized as follows: Mr., holder of National ID No., has filed a statement of claim objecting to the decision issued by Zakat, Tax, and Customs Authority ("ZATCA"/ "Defendant") regarding the Final Reassessment for the Tax Period for the first quarter of 2018 AD and requested abolishment of Defendant's decision.

Having presented the statement of claim to Defendant, it submitted a Reply that included the following:

Defendant clarifies that it had exercised its statutory right vested under Article (26.1) of the Law of Value Added Tax, which stipulates: "The Authority may conduct a tax assessment of a taxable person irrespective of the tax return filed by him," and Article (64.1) of its Implementing Regulations, which stipulates: "The Authority may make an assessment of the VAT obligations of a Person in respect of one or more Tax Periods. The Authority shall provide notification to the Taxable Person when it issues such an assessment." Accordingly, Defendant reassessed the tax period in question, which resulted in subjecting revenues that have not been declared by Plaintiff in his Tax Return, after



referring to the data of the Ministry of Justice in accordance with Article (56.2) of the Implementing Regulations of the Law of Value Added Tax, which stipulates: “In addition to the other rights provided for in this Article, the Authority may access relevant information held by third parties directly from those parties, including requiring direct access to records generally on an ongoing basis.” Accordingly, Defendant subjected these revenues to item (Taxable Local Sales at Basic Rate) in accordance with Article (14) of the said Implementing Regulations, which stipulates: “Without prejudice to the second article of the Law, for the purposes of applying the Agreement and the Law in the Kingdom, Tax is applied to all Taxable Supplies of Goods and services made in the Kingdom by a Taxable Person in the course of carrying out an economic activity, or received in the Kingdom by a Taxable Person in instances where the Reverse Charge Mechanism applies, as well as to Imports of Goods.”

As for Plaintiff’s statement that the sale of (SAR 570,000) is not subject to VAT, Defendant clarifies that Plaintiff registered for VAT on 22/06/2020 AD and entered the details of the effective date of registration on 01/01/2018 (registration certificate is attached herein). Accordingly, Defendant adheres to the validity and soundness of its procedure, as the Law of Value Added Tax and its Implementing Regulations have obligated Taxable Persons to declare supplies from the effective date of registration in accordance with the text of Article (2) of the said Implementing Regulations, which stipulates: “For the purposes of the Law and these Regulations, a Taxable Person in the Kingdom is a Person who conducts an Economic Activity independently for generating income and is registered for VAT in the Kingdom or who is required to register for VAT in the Kingdom under the Law or these Regulations.” Defendant concluded by requesting dismissal of Plaintiff’s Case.

On Monday, 31/01/2022 AD, the Department held its session via video conference in accordance with the procedures for remote video litigation. Having called parties to Case, Mr., holder of National ID No., appeared in his capacity as Defendant’s (“ZATCA”) Representative, by virtue of Authorization No., dated .../.../..., issued by ZATCA’s Deputy Governor for Legal Affairs and Compliance. Neither Plaintiff nor his Representative appeared at the hearing, despite being legally served with its date the method of its convention, or provided any excuse for his non-appearance. Having informed Defendant’s Representative of Plaintiff’s absence, he requested to proceed with the consideration of the Case and the issuance of a decision thereon. Therefore, the Department decided to adjourn the hearing for deliberation in preparation for delivering a decision.

Grounds

Having taken cognizance of the case papers and after due examination of its documents, and having taken cognizance of the Law of Value Added Tax promulgated by Royal Decree No. (M/113) of 02/11/1438 AH, as amended, and its Implementing Regulations issued by ZATCA “Previously GAZT” Board of Directors Decision No. (3839) of 14/12/1438 AH, as amended, the Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. (26040) of 11/06/1441 AH, and the Common VAT Agreement of GCC States, as well as other relevant laws and regulations, the Department has decided to consider the Case.

In Form: Since Plaintiff filed the Case to abolish Defendant’s decision regarding the Final Reassessment for the Tax Period for the first quarter of 2018 AD; and since this dispute is a Tax dispute, it then falls within the jurisdiction of the Committee for Determination of Income Tax Violations and Disputes under Royal Decree No. (26040) of 21/04/1441 AH; and since the Case was filed with a party having capacity and within the prescribed statutory period, it is then accepted in form.



On Merits: Having taken cognizance of the case papers and documents and granted parties thereto sufficient time to present all arguments and documents, the Department found that the dispute lies Plaintiff's objection to Defendant's decision regarding the Final Reassessment for the Tax Period for the first quarter of 2018 AD, while Defendant argued that it had exercised its statutory right vested under Article (26.1) of the Law of Value Added Tax, which stipulates: "The Authority may conduct a tax assessment of a taxable person irrespective of the tax return filed by him," and Article (64.1) of its Implementing Regulations, which stipulates: "The Authority may make an assessment of the VAT obligations of a Person in respect of one or more Tax Periods. The Authority shall provide notification to the Taxable Person when it issues such an assessment." Accordingly, Defendant reassessed the tax period in question, which resulted in subjecting revenues that have not been declared by Plaintiff in his Tax Return, after referring to the data of the Ministry of Justice in accordance with Article (56.2) of the Implementing Regulations of the Law of Value Added Tax, which stipulates: "In addition to the other rights provided for in this Article, the Authority may access relevant information held by third parties directly from those parties, including requiring direct access to records generally on an ongoing basis." Accordingly, Defendant subjected these revenues to item (Taxable Local Sales at Basic Rate) in accordance with Article (14) of the said Implementing Regulations, which stipulates: "Without prejudice to the second article of the Law, for the purposes of applying the Agreement and the Law in the Kingdom, Tax is imposed on all Taxable Supplies of Goods and Services made in the Kingdom by a Taxable Person or received in the Kingdom by a Taxable Person in instances where the Reverse Charge Mechanism applies, as well as on imports of good;" and since Plaintiff's registration at the time of supply was valid for the provisions of the Law according to his self-registration; Therefore, the Department satisfies to dismiss Plaintiff's Case and uphold Defendant's decision as to the conclusion it had in this regard.

In light of the above grounds and in accordance with the provisions of the Common VAT Agreement of GCC States, the Law of Value Added Tax and its Implementing Regulations, and the Tax Dispute and Violation Committee Procedures, the Department, after deliberation, unanimously decided the following:

Decision

Dismiss Plaintiff's Case.

This Decision was delivered in the presence of Both Parties. The Department has set thirty (30) days for receipt of a copy of this Decision, and it may be extended to another same period as the Department deems appropriate. Parties hereto may appeal against this Decision under Law within thirty (30) days from the day following the date specified for its receipt, whereafter the Decision s deemed final and enforceable.

May Allah's Blessings And Peace Be Upon Our Prophet Muhammad And His Family
And Companions.

(The Decision is deemed final and imperative by the lapse of the objection period under Article (40) of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-149
Case No.: V-63879-2021

Key words:

Value Added Tax – Field Examination Fine – Non-Compliance with Requirements of Tax Invoices – Failure to Keep Tax Invoices – Violation of Provisions of Law of Value Added Tax and Its Implementing Regulations – Dismissal of Plaintiff's Case.

Abstract

Plaintiff ("Taxpayer") filed this Case moving to abolish Defendant's ("ZATCA") decision regarding the imposition of a field examination fine in the amount of (SAR 10,000), due to non-compliance with the requirements of the tax invoices, represented in Plaintiff's failure to keep tax invoices, books, records, and accounting documents.

The Department Found That:

The report of the field examination has shown that Plaintiff has violated the provisions of the Law and that also has failed to submit any invoice or document supporting her claim.

The Department Decided To:

Dismiss Plaintiff's Case.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- Article (45.1) of [Law of Value Added Tax promulgated by Royal Decree No. \(M/113\) of 02/11/1438 AH](#).
- Common VAT Agreement of GCC States, November 2016.
- Article (66.1) of Implementing Regulations of Law of Value Added Tax issued by ZATCA "Previously GAZT" Board of Directors Decision No. (3839) of 14/12/1438 AH, corresponding 14/11/2016 AD.

Facts

Facts of the Case are summarized as follows: Ms., holder of National ID No., in her capacity as Owner of Establishment, C.R. No.; has filed a statement of claim objecting to the decision issued by Zakat, Tax, and Customs Authority ("ZATCA"/ "Defendant") regarding the imposition of a field examination fine in the amount of (SAR 10,000), due to non-compliance with the requirements of the tax invoices, represented in Plaintiff's failure to keep tax invoices, and requested cancellation of the fine in question. Having presented the statement of claim to Defendant, it submitted a Reply that included the following:

"1. On 25/03/2021 AD, Defendant's representatives visited Plaintiff's premises and examined the simplified invoices submitted by Plaintiff during the field examination to ensure the proper application of the Law of Value Added Tax and its Implementing



Regulations. Having asked Plaintiff's representative regarding the tax invoices, books, records, and accounting documents, he stated that Plaintiff did not keep these documents, which is a violation of the provisions of Article (66.1) of the Implementing Regulations of the Law of Value Added Tax, which stipulates: "The invoices, books, records and accounting documents required to be maintained by a Taxable Person in accordance with the Law and these Regulations shall be kept for a minimum period of six (6) years from the end of the Tax Period to which they relate."

2. Having verified Plaintiff violation of the provisions of the Law of Value Added Tax and its Implementing Regulations as stated above, Defendant fined Plaintiff an amount of (SAR 10,000) under its Decision No., pursuant to Article (45.1) of the Law of Value Added Tax, which stipulates: "A fine not exceeding 50,000 riyals shall be imposed on any person who: 1. Fails to maintain tax invoices, books, records, and accounting documents for the period stipulated in the Regulations, and the fine shall be for each tax period." Defendant concluded by requesting dismissal of Plaintiff's Case."

On Tuesday, 01/02/2022 AD, the Department held its session via video conference in accordance with the procedures for remote video litigation. Having called parties to Case, Mr., holder of National ID No., appeared in his capacity as Defendant's ("ZATCA") Representative, by virtue of Authorization No., dated .../.../..., issued by ZATCA's Deputy Governor for Legal Affairs and Compliance. Neither Plaintiff nor his Representative appeared at the hearing, despite being legally served with its date the method of its convention, or provided any excuse for his non-appearance. Having informed Defendant's Representative of Plaintiff's absence, he requested to proceed with the consideration of the Case and the issuance of a decision thereon. Therefore, the Department decided to adjourn the hearing for deliberation in preparation for delivering a decision.

Grounds

Having taken cognizance of the case papers and after due examination of its documents, and having taken cognizance of the Law of Value Added Tax promulgated by Royal Decree No. (M/113) of 02/11/1438 AH, as amended, and its Implementing Regulations issued by ZATCA "Previously GAZT" Board of Directors Decision No. (3839) of 14/12/1438 AH, as amended, the Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. (26040) of 11/06/1441 AH, and the Common VAT Agreement of GCC States, as well as other relevant laws and regulations, the Department has decided to consider the Case.

In Form: Since Plaintiff filed the Case to abolish Defendant's decision regarding the imposition of a field examination fine due to non-compliance with the requirements of the tax invoices, in accordance with the Law of Value Added Tax and its Implementing Regulations; and since this dispute is a Tax dispute, it then falls within the jurisdiction of the Committee for Determination of Income Tax Violations and Disputes under Royal Decree No. (26040) of 21/04/1441 AH; and since the Case was filed with a party having capacity and within the prescribed statutory period, it is then accepted in form.

On Merits: Having taken cognizance of the case papers and documents and granted parties thereto sufficient time to present all arguments and documents, the Department found that the dispute lies in Plaintiff's objection to Defendant's decision regarding the imposition of a fine for failure to keep tax invoices, books, records, and accounting documents; and since Article (66.1) of the Implementing Regulations of the Law of Value Added Tax, stipulates: "The invoices, books, records and accounting documents required to be maintained by a Taxable Person in accordance with the Law and these Regulations shall be kept for a minimum period of six (6) years from the end of the Tax Period to which they relate. Records with respect to Capital Assets shall be kept for a minimum of



the Adjustment Period for these Capital Assets prescribed in article fifty-two of these Regulations, plus five (5) years, with such period starting from the date those Capital Assets are acquired by the Taxable Person;” and since Article (45.1) of the Law of Value Added Tax, stipulates: “A fine not exceeding 50,000 riyals shall be imposed on any person who: 1. Fails to maintain tax invoices, books, records, and accounting documents for the period stipulated in the Regulations, and the fine shall be for each tax period;” and since Defendant has submitted the report of the field examination dated 07/10/2021 AD and signed by Plaintiff’s Representatives, which shows that Plaintiff has violated the provisions of the Law; and since Plaintiff has failed to submit any invoice or document supporting her claim; Therefore, the Department satisfies to dismiss Plaintiff’s Case and uphold Defendant’s decision as to the conclusion it had in imposing the fine in question.

In light of the above grounds and in accordance with the provisions of the Common VAT Agreement of GCC States, the Law of Value Added Tax and its Implementing Regulations, and the Tax Dispute and Violation Committee Procedures, the Department, after deliberation, unanimously decided the following:

Decision

Dismiss Plaintiff’s Case.

This Decision was delivered in the presence of Both Parties. The Department has set thirty (30) days for receipt of a copy of this Decision, and it may be extended to another same period as the Department deems appropriate. Parties hereto may appeal against this Decision under Law within thirty (30) days from the day following the date specified for its receipt, whereafter the Decision s deemed final and enforceable.

May Allah’s Blessings And Peace Be Upon Our Prophet Muhammad And His Family And Companions.

(The Decision is deemed final and imperative by the lapse of the objection period under Article (40) of Tax Dispute and Violation Committee Procedures).

Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-18
Case No.: V-39907-2021

Key words:

Value Added Tax – Oblige Defendant to Pay VAT – Sale of Property – Burden of Proof – Dismissal of Plaintiff’s Case.

Abstract



Plaintiff (“Taxpayer”) filed this Case seeking to oblige Defendant to pay the VAT resulting from the sale of the property to Defendant in the amount of (SAR 36,900), wherein the dispute lies in Plaintiff’s request to obligate Defendant to pay the VAT resulting from the real state supplies in question.

The Department Found That:

The announced sale price is the principal, and the burden of proof that the original sale price does not include the tax amount falls on whoever claims the contrary.

The Department Decided To:

Dismiss Plaintiff’s Case.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Law of Value Added Tax promulgated by Royal Decree No. \(M/113\) of 02/11/1438 AH](#)
- Articles (1) and (25.2) of [Common VAT Agreement of GCC States, November 2016](#).
- [Implementing Regulations of Law of Value Added Tax issued by ZATCA “Previously GAZT” Board of Directors Decision No. \(3839\) of 14/12/1438 AH, corresponding 14/11/2016 AD.](#)

Facts

Facts of the Case are summarized as follows: Mr., holder of National ID No., in his own capacity, has filed a statement of claim requesting to oblige Defendant (..... Bank, C.R. No.) to pay the VAT resulting from the sale of the property to Defendant in the amount of (SAR 36,900).

Having presented the statement of claim to Defendant, it submitted a Reply that included the following:

First: The Case is inadmissible in form since it was filed without capacity since Defendant has paid the VAT to Zakat, Tax, and Customs Authority (“ZATCA”) in accordance with the provisions of the Law; therefore, it is not permissible under the Law for Plaintiff to file the Case against Defendant since it was filed without capacity.

Second: As on merits, the obligations of the contracting parties are determined in the contract they entered into, and that Plaintiff’s transfer of ownership of the property is evidence of the fulfillment of the third party’s obligations towards Plaintiff regarding the sale and Plaintiff’s receipt of all amounts related to the completion of that sale, which prevents Plaintiff from claiming any additional costs or amounts from the third party that exceed the agreed-upon amount to complete the supply, as the seller is not entitled to claim any additional amounts or costs from the third party after signing the contract and agreement on a specific amount. Stating otherwise would prejudice the legal positions and burden the third party with new costs that increase the specified amounts. Additionally, since Plaintiff did not submit any tax invoice prior the completion of the supply, he therefore would be negligent and in violation of the statutory obligations thereupon, and he is more deserving of loss due to his negligence, as Plaintiff’s mistake constitutes his liability towards the third party. Moreover, as for the exemption certificate of “VAT for First-Time Home Buyers,” Defendant is the one entitled to possess that certificate and recover the financing amount thereunder, as it had issued a tax invoice for the mortgage contract concluded with the client and paid that amount to ZATCA.

Third: Requests:



In light of the above, Defendant requests to dismiss the Case for being filed without capacity and, alternatively, to dismiss the Case due to its invalidity.

On Tuesday, 25/01/2022 AD, the Department held its first session via video conference in accordance with the procedures for remote video litigation, wherein Mr., holder of National ID No., appeared in his capacity Defendant's Attorney, under POA No. Neither Plaintiff nor its Representative appeared at the hearing, despite being legally served with its date and the method of its convention. Having considered the Case and examined the documents submitted; and since the Case is ripe for adjudication; and in accordance with the Law of Value Added Tax, its Implementing Regulations, and the Tax Dispute and Violation Committee Procedures, the Department decided to adjourn the hearing for deliberation in preparation for delivering a decision.

Grounds

Having taken cognizance of the case papers and after due examination of its documents, and having taken cognizance of the Law of Value Added Tax promulgated by Royal Decree No. (M/113) of 02/11/1438 AH, as amended, and its Implementing Regulations issued by ZATCA "Previously GAZT" Board of Directors Decision No. (3839) of 14/12/1438 AH, as amended, the Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. (26040) of 11/06/1441 AH, and the Common VAT Agreement of GCC States, as well as other relevant laws and regulations, the Department has decided to consider the Case.

In Form: Since Plaintiff filed the Case seeking to obligate Defendant (..... Bank) to pay the VAT resulting from the sale of the property to Defendant; and since this dispute is a Tax dispute, it then falls within the jurisdiction of the Committee for Determination of Income Tax Violations and Disputes under Royal Decree No. (26040) of 21/04/1441 AH; and since the Case was filed with a party having capacity and within the prescribed statutory period, it is then accepted in form.

On Merits: Having taken cognizance of the case papers and documents and granted parties thereto sufficient time to present all arguments and documents, the Department found that the dispute lies in Plaintiff's request to obligate Defendant to pay the VAT resulting from the real state supplies in question; and since there is no doubt that the payment of VAT amount falls on the buyer while the burden of supplying the same falls on the seller; and since it is established that the sale price includes the tax amount in accordance with the provisions of the Common VAT Agreement of GCC States, where the definition of the term "Consideration" contained in Article (1) thereof stipulates: "Everything collected or to be collected by the Taxable Supplier from the Customer or a third party for the Supply of Goods or Services inclusive of the VAT;" and since Article (25.2) of the same VAT Agreement stipulates: "Without prejudice to the obligations provided for under this Agreement and the Local Laws, published prices in the local market for Goods and Services must include VAT;" and since there is no exception mentioned in this provision for real state; and since Plaintiff did not challenge the validity of Defendant's arguments regarding the sale, nor did he refer to the tax due; and since "Muslims must keep to the conditions they have made, except for a condition which makes unlawful something which is lawful, or makes lawful something which is unlawful;" and since the offer, acceptance, the contracting parties, and subject of the contract (the contracted upon and the price) represent the elements of sale without which it is not valid; and since the price was determined as stated previously, any burden added to the buyer thereafter without a legal basis undermines his will and unlawfully burdens him with a financial obligation, and will inevitably lead to the instability of the financial status of all sales processes, as every seller will be able to claim that he did not include the tax amount within the price of his goods or services, and thus attempts to return to the buyer after the completion of the sale, which



perhaps the matter that the provisions of Articles (1) and (25.2) of the Common VAT Agreement of GCC States keened to clarify and endorse; and since the announced sale price is the principal, and the burden of proof that the original sale price does not include the tax amount falls on whoever claims the contrary; and since “Acquittance is the Rule,” the burden of proof is therefore falls on Plaintiff (seller) and not Defendant (buyer); and since Plaintiff has failed to provide evidence for his argument or that he was registered for VAT and issued a tax invoice at the time of sale; Therefore, the Department satisfies to dismiss Plaintiff’s Case.

In light of the above grounds and in accordance with the provisions of the Common VAT Agreement of GCC States, the Law of Value Added Tax and its Implementing Regulations, and the Tax Dispute and Violation Committee Procedures, the Department, after deliberation, unanimously decided the following:

Decision

Dismiss Plaintiff’s Case.

This Decision was delivered in the presence of Both Parties. The Department has set thirty (30) days for receipt of a copy of this Decision, and it may be extended to another same period as the Department deems appropriate. This Decision is deemed final and enforceable under Article (42) of Tax Dispute and Violation Committee Procedures.



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-194
Case No.: V-52529-2021

Key words:

Value Added Tax – Final Reassessment – Taxable Sales – Fine for Submission of Incorrect Tax Return – Imposition of Late Payment Fine – Abolishment of Defendant’s Decision – Acceptance of Plaintiff’s Case.

Abstract

Plaintiff (“Taxpayer”) filed this Case moving to abolish Defendant’s (“ZATCA”) decision regarding the reconsideration of the Final Reassessment Notice related to the fourth quarter of 2018 AD and the fines resulting therefrom in the amount of (SAR 53,799.54), as well as the fines in the amount of (SAR 26,899.77).

The Department Found That:

As for item (Taxable Sales at Basic Rate Resulting from Final Assessment for Fourth Quarter of 2018), the basis for recognizing revenue is inaccurate; thus, it is illogical for differences not to appear. Also, Defendant made a decision on a basis that does not fairly and accurately reflect the undeclared differences.

The Department Decided To:

Accept Plaintiff’s Case and abolish Defendant’s decision in question, as well as any fines resulting therefrom.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Law of Value Added Tax promulgated by Royal Decree No. \(M/113\) dated 11/02/1438 AH](#)
- [Common VAT Agreement of GCC States, November 2016.](#)
- Articles (14) and (64.2) of [Implementing Regulations of Law of Value Added Tax issued by ZATCA “Previously GAZT” Board of Directors Decision No. \(3839\) of 14/12/1438 AH, corresponding 14/11/2016 AD.](#)

Facts

Facts of the Case are summarized as follows: Mr., holder of National ID No., in his capacity as Plaintiff’s (..... Company, C.R. No.) Attorney; has filed a statement of claim requesting Zakat, Tax, and Customs Authority (“ZATCA”/ “Defendant”) to reconsider the Final Reassessment Notice related to the fourth quarter of 2018 AD and the fines resulting therefrom in the amount of (SAR 53,799.54), as well as the fines in the amount of (SAR 26,899.77), and requested the abolishment of Defendant’s decision.

Having presented the statement of claim to Defendant, it submitted a Reply that included the following:



“First: The Date of issuance of the Defendant’s decision is 15/03/2020 AD, while the date of forwarding to the General Secretariat is 31/05/2021 AD. Also, Article (49) of the Law of Value Added Tax stipulates: “A person against whom ZATCA issues a penalty decision may appeal such decision in accordance with the procedures of the Tax Dispute and Violation Committee,” while Article (3.2) of Tax Dispute and Violation Committee Procedures stipulates: “GAZT’s decisions shall be final and unappealable before any other agency in the following cases:; 2. If a taxpayer does not file a lawsuit before the dispute committee or does not request referral of the objection to the internal committee for settlement within 30 days from the date of notification of GAZT’s decision denying said objection or upon the lapse of 90 days from the date of its filing without being decided.” In light of the above, since the automatic rejection notice was issued on 15/03/2020 AD, while the date of Plaintiff’s objection before the Committee for Determination of Income Tax Violations and Disputes is 31/05/2021 AD, there is a more than 30-day gap between the date of the notice and the date of the objection. Accordingly, and due to the lapse of the prescribed statutory period for accepting the objection in terms of form, the appealed decision may not be disputed for being time-barred.

Second: Defendant’s Decision is presumed to be valid and sound, and the burden of proof falls on whoever claims the contrary.

- Defendant clarifies that it had exercised its statutory right to verify the accuracy of Tax Returns set forth in Article (50) of the Law of Value Added Tax, which stipulates: “Subject to the provisions of Article (28) of the Law, the Authority shall be in charge of the administration, examination, assessment, and collection of tax, and shall, to this end, take any measures it deems fit,” and in accordance with Article (26.1) thereof, which stipulates: “The Authority may conduct a tax assessment of a taxable person irrespective of the tax return filed by him,” as well as Article (64) of its Implementing Regulations, which stipulates: “The Authority may make an assessment of the VAT obligations of a Person in respect of one or more Tax Periods. The Authority shall provide notification to the Taxable Person when it issues such an assessment.” Accordingly, Defendant reassessed the tax period.

- With regard to item (Amendment of Taxable Sales at Basic Rate), Defendant, during the examination of the records and documents submitted by Plaintiff, it found that the revenues mentioned in the financial statements of 2018 exceed the sales declared during the same year (a copy is attached herein), which indicates that there are differences that have not been declared, as Plaintiff did not provide any justification for the reason for not declaring these differences since they are considered subject to tax at the basic rate in accordance with Article (14) of the Implementing Regulations of the Law of Value Added Tax, which stipulates: “Without prejudice to the second article of the Law, for the purposes of applying the Agreement and the Law in the Kingdom, Tax is applied to all Taxable Supplies of Goods and services made in the Kingdom by a Taxable Person in the course of carrying out an economic activity, or received in the Kingdom by a Taxable Person in instances where the Reverse Charge Mechanism applies, as well as to Imports of Goods.”

- With regard to item (Fine for Submission of Incorrect Tax Return), the fine was imposed after Defendant found that Plaintiff’s Tax Return was invalid according to the Final Assessment notice, pursuant to Article (42.1) of the Law of Value Added Tax, which stipulates: “Any person who files an incorrect tax return to the Authority, amends a tax return after being filed, or files any document with the Authority in relation to the tax due by him which results in an error in the calculation of the tax amount resulting in an amount that is less than the tax due shall be subject to a fine equal to 50% of the difference between the calculated tax and the tax due.”

- With regard to item (Late Payment Fine), having reviewed Plaintiff’s Tax Return, Defendant found that the Tax Return was invalid, which necessitated amending thereof

and issuing the Final Assessment Notice, which resulted in a difference in the value of the tax due that was not paid within the statutory deadline. Accordingly, Defendant imposed a late payment fine for the months following the tax period in question, in accordance with the provisions of Article (43) of the Law of Value Added Tax, which stipulates: “Any person who fails to pay the tax due within the period specified by the Regulations shall be subject to a fine equal to 5% of the amount of the unpaid tax for each month or part thereof for which the tax is not paid.”

Third: Requests:

In Form: Dismiss Plaintiff's Case.

On Merits: Dismiss Plaintiff's Case and uphold Defendant's decision in question, while reserving its right to present further responses and clarifications before the closure of pleadings.

Plaintiff submitted a Replication that included the following:

“First: Defendant rejected the objection filed by Plaintiff on 15/03/2020 AD, and the automatic rejection notice (Exhibit No.) was received on the same date (corresponding to 20/07/1441 AH). Accordingly, Plaintiff attempted to file a case before the General Secretariat of Tax Committees (“GSTC”) on 15/03/2020 AD through its website; however, the case was not filed due to the inability to obtain the tax objection information from GSTC website (Exhibit No. 3). Consequently, Plaintiff requested to file the case via email on 22/03/2020 AD (Exhibit No.). GSTC responded to the email sent thereto, stating that the statutory period for filing and registering cases will be taken into consideration in the event that it is not possible to file the case through HAYAD e-system due to the failure to obtain the required information. Additionally, there are also other correspondences that were sent later (Exhibit Nos. 5 & 6) to GSTC regarding the registration of the request to file a case, as directed by GSTC employee through telephone calls in this regard. In light of the above, it is evident that Plaintiff filed the case within the prescribed statutory period, yet GSTC e-system hindered that action, which is also evident from the submitted exhibits. Therefore, all the case data has been submitted by email, knowing that such a period was the beginning of the pandemic, which prevented personal visits to GSTC premises.”

Second: 1. Defendant rejected Objection No. filed by Plaintiff on 15/03/2020 AD, for failure to send the required data on the specified deadline, noting that Plaintiff had sent all the requirements via email (Exhibit Nos. 7 & 8) within the specified deadline, as directed by Defendant due to the insufficient space on its website, according to the instructed of the concerned employee who informed Plaintiff to raise a ticket to technical support to increase the space allocated to upload the necessary documents, which was registered under No.; Consequently, due to Plaintiff inability to upload the necessary documents, followed by automatic rejection on the next day, Plaintiff was advised to by Defendant to file the case with GSTC.

2. With regard to item (Amendment of Taxable Sales at Basic Rate) and the differences between the financial statements approved by Plaintiff's certified public accountant and Tax Returns of 2018, Plaintiff's financial statements are statements for a financial period extending from 02/10/2017 to 31/12/2018 AD, which includes a 3-month period in 2017 that was not subject to tax at the basic rate, which began to be applied on 01/01/2018, as the revenues according to the financial statements amounted to (SAR 5,243,811) for the period extending from 02/10/2017 to 31/12/2018 AD, while the revenues mentioned in Tax Returns of 2018 amounted to (SAR 4,167,820), which is the taxable amount. Accordingly, the difference is in the amount of (SAR 1,075,991). Therefore, Plaintiff requests to accept its Case in light of the stated grounds.

On Tuesday, 25/01/2022 AD, the Department held its session via video conference in accordance with the procedures for remote video litigation to consider the Case filed by



Plaintiff against Defendant, wherein Mr., holder of National ID No., appeared in his capacity as Plaintiff's Attorney, under POA No.; and Mr., holder of National ID No., appeared in his capacity as Defendant's "ZATCA" Representative, by virtue of Authorization No., dated .../.../..., issued by ZATCA's Deputy Governor for Legal Affairs and Compliance. Having asked Plaintiff regarding the Case, he maintained the statements contained in the statement of claim previously submitted to GSTC. Having asked Defendant's Representative regarding his response, he maintained the statements contained in the Reply. Having asked Parties hereto whether they had further statements, they were satisfied with their earlier submissions. Therefore, the Department decided to adjourn the hearing for deliberation in preparation for delivering a decision.

Grounds

Having taken cognizance of the case papers and after due examination of its documents, and having taken cognizance of the Law of Value Added Tax promulgated by Royal Decree No. (M/113) of 02/11/1438 AH, as amended, and its Implementing Regulations issued by ZATCA "Previously GAZT" Board of Directors Decision No. (3839) of 14/12/1438 AH, as amended, the Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. (26040) of 11/06/1441 AH, and the Common VAT Agreement of GCC States, as well as other relevant laws and regulations, the Department has decided to consider the Case.

In Form: Since Plaintiff filed the Case requesting Defendant to reconsider the Final Reassessment Notice related to the fourth quarter of 2018 AD and the fines resulting therefrom; and since this dispute is a Tax dispute, it then falls within the jurisdiction of the Committee for Determination of Income Tax Violations and Disputes under Royal Decree No. (26040) of 21/04/1441 AH; and since the Case was filed with a party having capacity and within the prescribed statutory period, it is then accepted in form.

On Merits: Having taken cognizance of the case papers and documents and granted parties thereto sufficient time to present all arguments and documents, the Department found that the dispute lies in Plaintiff's requesting Defendant to reconsider the Final Reassessment Notice related to the fourth quarter of 2018 AD and the fines resulting therefrom, which included the following:

1. Item (Taxable Sales at Basic Rate Resulting from Final Assessment for Fourth Quarter of 2018):

Since the dispute lies in the Final Assessment result for the fourth quarter of 2018, which resulted in the amount in question being subject to taxable sales at rate of (5%), due to the revenues as per the financial statements being greater than those mentioned in the Tax Returns, and that the resulted difference was subject based on Article (14) of the Implementing Regulations of the Law of Value Added Tax; and since no comparison has been made with the financial activity within the bank accounts and account statements for the cash accounts of 2018 in Plaintiff's records or other sources available to the Defendant to prove the existence of undeclared amounts; and since Defendant chose to compare with the financial statements despite the fact that they are extended statements as they included the period from 02/10/2017 to 31/12/2018 AD, which indicates subjecting the revenues of 3 months that Plaintiff achieved prior to the implementation of the Law of Value Added Tax; since the financial statements do not only pertain to the revenues of 2018; and since the revenues for the fourth quarter of 2017 was included, which was not addressed by Defendant; hence, the comparison between two different periods, 15 months of budget and 12 months of Returns cannot be accepted, as doing so will inevitably lead to the existence of differences in revenue as a result of that comparison since Plaintiff works in the contracting sector as stated in its the commercial registration, and its main revenues



are evident based on the standard of achievement rates in its financial statements, which necessitates the existence of differences between the revenues mentioned in the financial statements according to international standards and the revenues declared in its Tax Returns, which determines that the basis for recognizing revenue is inaccurate; thus, it is illogical for differences not to appear; and since Defendant made a decision on a basis that does not fairly and accurately reflect the undeclared differences, violating the provisions of Article (64.2) Implementing Regulations of the Law of Value Added Tax; Therefore, the Department satisfies to abolish Defendant's decision regarding the item in question.

2. Item (Fine for Submission of Incorrect Tax Return):

Since the dispute lies in the imposition of the fine in question resulting from the Final Assessment Notice for the fourth quarter of 2018; and since the fine in question resulted from Defendant's amendment to Plaintiff's Tax Returns for the disputed period; and since this Department has decided to abolish Defendant's decision regarding Item No. (1) since that amendment resulted from the Tax Returns; and since it is established that "The Resulting Occurrence Shall Take The Same Effect;" Therefore, the Department satisfies to abolish Defendant's decision regarding the item in question.

3. Item (Late Payment Fine):

Since the dispute lies in the imposition of the fine in question resulting from the Final Assessment Notice for the fourth quarter of 2018; and since the imposition of the fine in question was due to Plaintiff's failure to pay the tax due resulting from the Reassessment of Plaintiff's Tax Returns for the disputed period within the statutory period; and since this Department has decided to abolish Defendant's decision regarding Item No. (1); and since it is established that "The Resulting Occurrence Shall Take The Same Effect;" Therefore, the Department satisfies to abolish Defendant's decision regarding the item in question.

In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

Accept Plaintiff's Case and abolish Defendant's decision in question, as well as any fines resulting therefrom.

This Decision was delivered in the presence of Both Parties. The Department has set thirty (30) days for receipt of a copy of this Decision, and it may be extended to another same period as the Department deems appropriate. Parties hereto may appeal against this Decision under Law within thirty (30) days from the day following the date specified for its receipt, whereafter the Decision is deemed final and enforceable.

(The Decision is deemed final and imperative by the lapse of the objection period under Article (40) of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-208
Case No.: V-49400-2021

Key words:

Value Added Tax – Final Reassessment – Fines Resulting From Final Reassessment – Late Payment Fine – Plaintiff Request of Abolishment of Defendant’s Decision and Resulting Fines – Dismissal of Plaintiff’s Case.

Abstract

Plaintiff (“Taxpayer”) filed this Case moving to abolish Defendant’s (“ZATCA”) decision regarding the Final Reassessment for the tax period for the third quarter of 2020 AD and the fines resulting therefrom.

The Department Found That:

As for item (Taxable Local Procurement at Rate of 15%), Plaintiff has failed to submit sufficient documents to prove the validity of his Tax Return. As for item (Late Payment Fine), the Department has decided to dismiss Plaintiff’s request as stated. Also, it is established that “The Resulting Occurrence Shall Take The Same Effect.”

The Department Decided To:

Dismiss Plaintiff’s Case.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Law of Value Added Tax promulgated by Royal Decree No. \(M/113\) dated 11/02/1438 AH](#)
- Articles (23) and (48.1) of [Common VAT Agreement of GCC States, November 2016](#).
- Articles (14), (64.2), and (49.7, 8) of [Implementing From Regulations of Law of Value Added Tax issued by ZATCA “Previously GAZT” Board of Directors Decision No. \(3839\) of 14/12/1438 AH, corresponding 14/11/2016 AD](#).

Facts

Facts of the Case are summarized as follows: Mr., holder of National ID No., has filed a statement of claim objecting to the decision issued by Zakat, Tax, and Customs Authority (“ZATCA”/ “Defendant”) regarding the Final Reassessment for the Tax Period for the third quarter of 2020 AD and requested abolishment of Defendant’s decision and the fines resulting therefrom.

Having presented the statement of claim to Defendant, it submitted a Reply that included the following:

“The Case is inadmissible in form, as Article (49) of the Law of Value Added Tax stipulates: “A person against whom ZATCA issues a penalty decision may appeal such decision in accordance with the procedures of the Tax Dispute and Violation Committee.” Also, Article (3.2) of Tax Dispute and Violation Committee Procedures stipulates: “GAZT’s



decisions shall be final and unappealable before any other agency in the following cases:; 2. If a taxpayer does not file a lawsuit before the dispute committee or does not request referral of the objection to the internal committee for settlement within 30 days from the date of notification of GAZT's decision denying said objection or upon the lapse of 90 days from the date of its filing without being decided."

In light of the above, since the automatic rejection notice was issued on 14/02/2021 AD (a copy is attached herein), while Plaintiff filed his Case before the General Secretariat of Tax Committees on 30/04/2021 AD, there is a more than 30-day gap between the date of the notice and the date of the filing the Case. Accordingly, and due to the lapse of the prescribed statutory period for accepting the objection in terms of form, the appealed decision may not be disputed for being time-barred.

Defendant concluded by requesting dismissal of Plaintiff's Case in form for the stated grounds."

On Wednesday, 12/01/2022 AD, the Department held its session via video conference in accordance with the procedures for remote video litigation to consider the Case filed by Plaintiff against Defendant, wherein Mr., holder of National ID No., appeared in his capacity as Plaintiff's Attorney, under POA No.; and Mr., holder of National ID No., appeared in his capacity as Defendant's "ZATCA" Representative, by virtue of Authorization No., dated .../.../..., issued by ZATCA's Deputy Governor for Legal Affairs and Compliance. Having asked Plaintiff regarding the Case, he maintained the statements contained in the statement of claim previously submitted to General Secretariat of Tax Committees. Having asked Defendant's Representative regarding his response, he maintained the statements contained in the Reply. Having asked Defendant's Representative regarding his substantive response to Plaintiff's Case, he requested a continuance to submit his response. Therefore, the Department decided to postpone consideration of the Case to 01/02/2022 AD at 12:00 PM, provided that Defendant submits its response before 23/01/2022 AD, while Plaintiff reviews Defendant's Reply and submits his response before 30/01/2022 AD.

Defendant submitted a Replication that included the following:

"The Reassessment resulted in subjecting revenues that had not been declared by Plaintiff in his Tax Return. With regard to Defendant's amendment to item (Taxable Local Procurement at Basic Rate), Defendant affirms that Plaintiff is not entitled to exercise the deduction due to his failure to submit any documents supporting the validity of the amounts he had declared in that item. Accordingly, Defendant imposed a late payment fine for the months following the tax period in question. Defendant concluded by requesting dismissal of Plaintiff's Case.

On Tuesday, 01/02/2022 AD, the Department held its session via video conference in accordance with the procedures for remote video litigation to consider the Case filed by Plaintiff against Defendant, wherein Mr., holder of National ID No., appeared in his capacity as Plaintiff's Attorney, under POA No.; and Mr., holder of National ID No., appeared in his capacity as Defendant's "ZATCA" Representative, by virtue of Authorization No., dated 08/03/1442 AH, issued by ZATCA's Deputy Governor for Legal Affairs and Compliance. Having asked Parties hereto whether they had further statements, they were satisfied with their earlier submissions. Therefore, the Department decided to adjourn the hearing for deliberation in preparation for delivering a decision.

Grounds

Having taken cognizance of the case papers and after due examination of its documents, and having taken cognizance of the Law of Value Added Tax promulgated by Royal Decree No. (M/113) of 02/11/1438 AH, as amended, and its Implementing Regulations



issued by issued by ZATCA “Previously GAZT” Board of Directors Decision No. (3839) of 14/12/1438 AH, as amended, the Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. (26040) of 11/06/1441 AH, and the Common VAT Agreement of GCC States, as well as other relevant laws and regulations, the Department has decided to consider the Case.

In Form: Since Plaintiff filed the Case to abolish Defendant’s decision regarding the Final Reassessment for the Tax Period for the third quarter of 2020 AD and the fines resulting therefrom, in accordance with the Law of Value Added Tax and its Implementing Regulations; and since this dispute is a Tax dispute, it then falls within the jurisdiction of the Committee for Determination of Income Tax Violations and Disputes under Royal Decree No. (M/ 113) of 02/11/1438 AH; and since the Case was filed with a party having capacity and within the prescribed statutory period, it is then accepted in form.

On Merits: Having taken cognizance of the case papers and documents and granted parties thereto sufficient time to present all arguments and documents, the Department found that the dispute lies in Plaintiff’s objection to Defendant’s decision regarding the Final Reassessment for the Tax Period for the third quarter of 2020 AD, which resulted in subjecting the disputed amount of (SAR 2,468,136.23) to taxable sales at the basic rate; and since Article (64.2) of the Implementing Regulations of the Law of Value Added Tax stipulates: “An assessment issued by the Authority shall at a minimum show the Net Tax payable, the due date for payment, and the basis for calculation of the assessment. The assessment shall notify the Taxable Person of its rights to appeal the assessment;” and since Article (23) of the Common VAT Agreement of GCC States stipulates: “1. Tax becomes due on the date of the supply of Goods or Services, the date of issuance of the tax invoice or upon partial or full receipt of the Consideration, whichever comes first, and to the extent of the received amount; 2. The date of supply provided for in subsection (1) of this Article shall be as follows: a) the date on which the Goods were placed at the Customer’s disposal in connection with supplies of Goods without transportation or dispatch;” and since Article (14) of the Implementing Regulations of the Law of Value Added Tax stipulates: “Without prejudice to the second article of the Law, for the purposes of applying the Agreement and the Law in the Kingdom, Tax is applied to all Taxable Supplies of Goods and services made in the Kingdom by a Taxable Person in the course of carrying out an economic activity, or received in the Kingdom by a Taxable Person in instances where the Reverse Charge Mechanism applies, as well as to Imports of Goods;” and since the dispute regarding item (Taxable Local Procurement at Rate of 15% in the Amount of “SAR 850,000”) lies in the regarding the Final Reassessment for the Tax Period for the third quarter of 2020 AD, which resulted in the exclusion of the disputed amount from the procurement due to the absence of a document supporting the entitlement to deduction; and since Article (48.1) of the Common VAT Agreement of GCC States stipulates: “1. For purposes of exercising the right of deduction, the Taxable Person must hold the following documents: a) the Tax Invoice received pursuant to the provisions of this Agreement; b) the customs documents proving that he imported the Goods in accordance with the Common Customs Law; 2. Each Member State may allow the Taxable Person to exercise the right of deduction in the event that a Tax Invoice is not available or does not meet the requirements provided for in this Agreement, provided that the value of Tax due can be established by any other means;” and since Article (49.8) of the Implementing Regulations of the Law of Value Added Tax stipulates: “A deduction of Input Tax may be made by a Taxable Person in a Tax Period subsequent to that Tax Period including the date of Supply, provided that the Taxable Person remains eligible to make such deduction under the other provisions of these Regulations. Input Tax may not be deducted in any period which falls more than five calendar years after the calendar year in which the Supply takes place;” and since Plaintiff has failed to submit sufficient documents



to prove the validity of his Tax Return, nor did it provide evidence proving that he possesses a document that entitles him to the right of deduction and bear the tax in his capacity as a customer, such as tax invoices, or proof of the tax due by any means; and since failure to possess a document proving the right of deduction of the procurement in question is considered a violation of provisions of Article (48.1) of the Common VAT Agreement of GCC States and Article (49.7) of the Implementing Regulations of the Law of Value Added Tax; Therefore, the Department satisfies to uphold Defendant's decision in accordance with Article (49.8) of the Implementing Regulations of the Law of Value Added Tax; and since this Department has decided to dismiss Plaintiff's request as stated above; and since it is established that "The Resulting Occurrence Shall Take The Same Effect;" Therefore, the Department satisfies to to dismiss Plaintiff's request regarding the late payment fine in question.

In light of the above grounds and in accordance with the provisions of the Common VAT Agreement of GCC States, the Law of Value Added Tax and its Implementing Regulations, and the Tax Dispute and Violation Committee Procedures, the Department, after deliberation, unanimously decided the following:

Decision

Dismiss Plaintiff's Case.

This Decision was delivered in the presence of Both Parties. The Department has set thirty (30) days for receipt of a copy of this Decision, and it may be extended to another same period as the Department deems appropriate. Parties hereto may appeal against this Decision under Law within thirty (30) days from the day following the date specified for its receipt, whereafter the Decision s deemed final and enforceable.

May Allah's Blessings And Peace Be Upon Our Prophet Muhammad And His Family
And Companions.

Appellate

The Appellate Committee decided to uphold the appealed decision.



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-29
Case No.: V-55236-2021

Key words:

Value Added Tax – Field Examination Fine – Tax Invoice – Failure to Mention the Type of Tax – Officially Specified Goods

Abstract

Plaintiff (“Taxpayer”) filed this Case moving to abolish Defendant’s (“ZATCA”) decision regarding the imposition of a field examination fine in the amount of (SAR 10,000), due to non-compliance with the requirements of the tax invoices, represented in Plaintiff’s failure to mention the prices including tax.

The Department Found That:

Plaintiff is a supplier of a single product (gasoline), which is a product with a fixed price that cannot be modified or changed, and that the invoice has met all the requirements stated in the Implementing Regulations of the Law of Value Added Tax. Also, the invoice has also met Defendant’s requirements.

The Department Decided To:

Accept Plaintiff’s Case and abolish Defendant’s decision in question.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Decree No. \(26040\) dated 21/04/1441 AH](#)
- [Law of Value Added Tax promulgated by Royal Decree No. \(M/113\) of 02/11/1438 AH](#)
- Common VAT Agreement of GCC States, November 2016.
- [Implementing Regulations of Law of Value Added Tax issued by ZATCA “Previously GAZT” Board of Directors Decision No. \(3839\) of 14/12/1438 AH, corresponding 14/11/2016 AD.](#)

Facts

Facts of the Case are summarized as follows: Mr., holder of National ID No., in his capacity as Owner of Establishment, C.R. No.; has filed a statement of claim objecting to the decision issued by Zakat, Tax, and Customs Authority (“ZATCA”/ “Defendant”) regarding the imposition of a field examination fine in the amount of (SAR 10,000), due to non-compliance with the requirements of the tax invoices, represented in Plaintiff’s failure to mention the prices including tax, and requested cancellation of the fine in question.

Having presented the statement of claim to Defendant, it submitted a Reply that included the following:

“1. On 29/06/2021 AD, Defendant’s representatives visited Plaintiff’s premises and examined the simplified invoices submitted by Plaintiff during the field examination to



ensure the proper application of the Law of Value Added Tax and its Implementing Regulations. After inspection, Defendant's representatives found that Plaintiff has violated the requirements of the simplified invoice set forth in Article (53.8) of the Implementing Regulations of the Law of Value Added Tax, which stipulates: "8. A simplified Tax Invoice shall include the following details: e. The Tax payable or a statement that the Consideration is inclusive of Tax in respect of the Supply of the Goods or services. (A copy is attached herein). 2. Having verified Plaintiff violation of the provisions of the Law of Value Added Tax and its Implementing Regulations as stated above, Defendant fined Plaintiff an amount of (SAR 10,000) pursuant to Decision No., dated 25/02/2021 AD, in accordance with Article (45.3) of the Law of Value Added Tax, which stipulates: "A fine not exceeding 50,000 riyals shall be imposed on any person who:; 3. Violates any other provision of the Law or the Regulations." Defendant concluded by requesting dismissal of Plaintiff's Case."

On Wednesday, 12/01/2022 AD, the Department held its session via video conference in accordance with the procedures for remote video litigation to consider the Case filed by Plaintiff against Defendant, wherein Mr., holder of National ID No., appeared in his own capacity; and Mr., holder of National ID No., appeared in his capacity as Defendant's "ZATCA" Representative, by virtue of Authorization No., dated 08/03/1442 AH, issued by ZATCA's Deputy Governor for Legal Affairs and Compliance. Having asked Plaintiff regarding the Case, he maintained the statements contained in the statement of claim previously submitted to General Secretariat of Tax Committees. Having asked Defendant's Representative regarding his response, he maintained the statements contained in the Reply previously submitted to General Secretariat of Tax Committees. Having asked Parties hereto whether they had further statements, they were satisfied with their earlier submissions. Therefore, the Department decided to adjourn the hearing for deliberation in preparation for delivering a decision.

Grounds

Having taken cognizance of the case papers and after due examination of its documents, and having taken cognizance of the Law of Value Added Tax promulgated by Royal Decree No. (M/113) of 02/11/1438 AH, as amended, and its Implementing Regulations issued by ZATCA "Previously GAZT" Board of Directors Decision No. (3839) of 14/12/1438 AH, as amended, the Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. (26040) of 11/06/1441 AH, and the Common VAT Agreement of GCC States, as well as other relevant laws and regulations, the Department has decided to consider the Case. In Form: Since Plaintiff filed the Case to abolish Defendant's decision regarding the imposition of a field examination fine due to non-compliance with the requirements of the tax invoices; and since this dispute is a Tax dispute, it then falls within the jurisdiction of the Committee for Determination of Income Tax Violations and Disputes under Royal Decree No. (26040) of 21/04/1441 AH; and since the Case was filed with a party having capacity and within the prescribed statutory period, it is then accepted in form.

On Merits: Having taken cognizance of the case papers and documents and granted parties thereto sufficient time to present all arguments and documents, the Department found that Plaintiff is a supplier of a single product (gasoline), which is a product with a fixed price that cannot be modified or changed; and since the invoice has met all the requirements stated in the Implementing Regulations of the Law of Value Added Tax; and since the invoice has also met Defendant's requirements; Therefore, the Department satisfies to accept Plaintiff's Case and abolish Defendant's decision regarding the fine in



question.

In light of the above grounds and in accordance with the provisions of the Common VAT Agreement of GCC States, the Law of Value Added Tax and its Implementing Regulations, and the Tax Dispute and Violation Committee Procedures, the Department, after deliberation, unanimously decided the following:

Decision

Accept Plaintiff's Case and abolish Defendant's decision in question.

This Decision was delivered in presence of Both Parties. The Department has set thirty (30) days for receipt of a copy of this Decision, and it may be extended to another same period as the Department deems appropriate. Parties hereto may appeal against this Decision under Law within thirty (30) days from the day following the date specified for its receipt, whereafter the Decision is deemed final and enforceable.

May Allah's Blessings And Peace Be Upon Our Prophet Muhammad And His Family
And Companions.

(The Decision is deemed final and imperative by the lapse of the objection period under Article (40) of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-47
Case No.: I-63043-2021

Key words:

Value Added Tax – Tax Return – Fine for Submission of Incorrect Tax Return – Final Reassessment – Dismissal of Plaintiff's Case.

Abstract

Plaintiff ("Taxpayer") filed this Case moving to abolish Defendant's ("ZATCA") decision the imposition of a fine for error in submitting the Tax Return for the Tax Period for the first quarter of 2021 AD.

The Department Found That:

The dispute lies in Plaintiff's objection to Defendant's decision regarding the imposition of a fine for error in submitting the Tax Return resulting from the Final Assessment. Also, Plaintiff's Case was unsubstantiated for which no evidence was provided; hence, it should be dismissed.

The Department Decided To:

Dismiss Plaintiff's Case.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Article \(42.1\) of Law of Value Added Tax promulgated by Royal Decree No. \(M/113\) of 02/11/1438 AH](#)
- [Common VAT Agreement of GCC States, November 2016.](#)
- [Implementing Regulations of Law of Value Added Tax issued by ZATCA "Previously GAZT" Board of Directors Decision No. \(3839\) of 14/12/1438 AH, corresponding 14/11/2016 AD](#)

Facts

Facts of the Case are summarized as follows: Mr., holder of National ID No., in his capacity as the Owner of Establishment, C.R. No.; has filed a statement of claim objecting to the decision issued by Zakat, Tax, and Customs Authority ("ZATCA"/ "Defendant") regarding the imposition of a fine for error in submitting the Tax Return for the Tax Period for the first quarter of 2021 AD, and requested abolishment of Defendant's decision.

Having presented the statement of claim to Defendant it submitted a Reply that included the following:

"On 20/05/2021 AD, Defendant reassessed the tax period (first quarter of 2021) in accordance with the provisions of Article (26.1) of the Law of Value Added Tax and Article (64.1) of its Implementing Regulations. In light of the results of the examination and assessment, Defendant imposed a fine for error in submitting the Tax Return pursuant to



Article (42.1) of the Law of Value Added Tax. Defendant concluded by requesting dismissal of Plaintiff's Case.

On Tuesday, 11/01/2022 AD, the Department held its session via video conference in accordance with the procedures for remote video litigation and pursuant to the provisions of Article (15.2) of Tax Dispute and Violation Committee Procedures promulgated by Royal Decree No. (26040) of 21/04/1441 AH. Having called parties to Case, Plaintiff (Mr., Saudi National, holder of National ID No.) appeared in his own capacity; and Mr., Saudi National, holder of National ID No., appeared in his capacity as Defendant's ("ZATCA") Representative, by virtue of Authorization No., dated 19/05/1441 AH, issued by ZATCA's Deputy Governor for Legal Affairs and Compliance. Having asked Plaintiff's Attorney regarding the Case, he maintained the statements contained in the statement of claim previously submitted to General Secretariat of Zakat, Tax, and Customs Committees. Having asked Defendant's Representative regarding his response, he maintained the statements contained in the Reply. Having asked Parties hereto whether they had further statements, they were satisfied with their earlier submissions. Therefore, the Department decided to adjourn the hearing for deliberation in preparation for delivering a decision.

Grounds

Having taken cognizance of the case papers and after due examination of its documents, and having taken cognizance of the Law of Value Added Tax promulgated by Royal Decree No. (M/113) of 02/11/1438 AH, as amended, and its Implementing Regulations issued by ZATCA "Previously GAZT" Board of Directors Decision No. (3839) of 14/12/1438 AH, as amended, the Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. (26040) of 11/06/1441 AH, and the Common VAT Agreement of GCC States, as well as other relevant laws and regulations, the Department has decided to consider the Case.

In Form: Since Plaintiff filed the Case to abolish Defendant's decision regarding the imposition of a fine for error in submitting the Tax Return for the Tax Period for the first quarter of 2021 AD, in accordance with the Law of Value Added Tax and its Implementing Regulations; and since this dispute is a Tax dispute, it then falls within the jurisdiction of the Committee for Determination of Income Tax Violations and Disputes under Royal Decree No. (26040) of 21/04/1441 AH; and since the Case was filed with a party having capacity and within the prescribed statutory period, it is then accepted in form.

On Merits: Having taken cognizance of the case papers and documents and granted parties thereto sufficient time to present all arguments and documents, the Department found that the dispute lies in Plaintiff's objection to Defendant's decision regarding the imposition of a fine for error in submitting the Tax Return resulting from the Final Assessment for the Tax Period for the first quarter of 2021 AD, due to Defendant's amendment of the amount of the taxable local procurement at a rate of (15%) and taxable imports at a rate of (15%) that are paid to the Customs Authority as per the Customs Declaration; and since Article (42.1) of the Law of Value Added Tax stipulates: "Any person who files an incorrect tax return to the Authority, amends a Tax Return after being filed, or files any document with the Authority in relation to the tax due by him which results in an error in the calculation of the tax amount resulting in an amount that is less than the tax due shall be subject to a fine equal to (50%) of the difference between the calculated tax and the tax due;" and since Plaintiff's Case was unsubstantiated for which no evidence was provided; hence, it should be dismissed, which is the conclusion reached by this Department.

In light of the above grounds and in accordance with the provisions of the Common VAT Agreement of GCC States, the Law of Value Added Tax and its Implementing Regulations,



and the Tax Dispute and Violation Committee Procedures, the Department, after deliberation, unanimously decided the following:

Decision

Dismiss Plaintiff's Case.

This Decision was delivered in presence of Both Parties. The Department has set thirty (30) days for receipt of a copy of this Decision, and it may be extended to another same period as the Department deems appropriate. Parties hereto may appeal against this Decision under Law within thirty (30) days from the day following the date specified for its receipt, whereafter the Decision is deemed final and enforceable.

May Allah's Blessings And Peace Be Upon Our Prophet Muhammad And His Family
And Companions.

(The Decision is deemed final and imperative by the lapse of the objection period under Article (40) of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-113
Case No.: V-63668-2021

Key words:

Value Added Tax – Field Examination Fine – Fine for Failure to Keep Tax Invoices –
Keep of Tax Invoices – Dismissal of Plaintiff's Case.

Abstract

Plaintiff ("Taxpayer") filed this Case moving to abolish Defendant's ("ZATCA") decision regarding the imposition of a field examination fine, due to non-compliance with the requirements of the tax invoices, represented in failure to keep tax invoices.

The Department Found That:

The report of the field examination, dated 09/02/2021 AD and signed by Plaintiff's Representatives, has shown Plaintiff's failure to keep VAT invoices.

The Department Decided To:

Dismiss Plaintiff's Case.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- Article (45.1) of [Law of Value Added Tax promulgated by Royal Decree No. \(M/113\) of 02/11/1438 AH.](#)
- [Common VAT Agreement of GCC States, November 2016.](#)
- Article (66.1) of [the Implementing Regulations of Law of Value Added Tax issued by ZATCA "Previously GAZT" Board of Directors Decision No. \(3839\) of 14/12/1438 AH, corresponding 14/11/2016 AD](#)

Facts

Facts of the Case are summarized as follows: Mr., holder of National ID No., in his capacity as Owner of Establishment, C.R. No.; has filed a statement of claim objecting to the decision issued by Zakat, Tax, and Customs Authority ("ZATCA"/ "Defendant") regarding the imposition of a field examination fine in the amount of (SAR 10,000), due to non-compliance with the requirements of the tax invoices, represented in failure to keep tax invoices, and requested abolishment of Defendant's decision.

Having presented the statement of claim to Defendant it submitted a Reply that included the following:

"First: 1. Having reviewed Plaintiff's statement of claim, Defendant found that it centers in the failure to keep tax invoices, wherein Defendant stated that: On 09/02/2021 AD, its representatives visited Plaintiff's premises and found that Plaintiff had not kept the tax invoices, records, or documents, violating the provisions of Article (66.1) of the Implementing Regulations of the Law of Value Added Tax, which stipulates: "The invoices, books, records and accounting documents required to be maintained by a Taxable

Person in accordance with the Law and these Regulations shall be kept for a minimum period of six (6) years from the end of the Tax Period to which they relate.”

2. Having verified Plaintiff violation of the provisions of the Law of Value Added Tax and its Implementing Regulations as stated above, Defendant fined Plaintiff an amount of (SAR 10,000) pursuant to Article (45.1) of the Law of Value Added Tax, which stipulates: “A fine not exceeding 50,000 riyals shall be imposed on any person who: 1. Fails to maintain tax invoices, books, records, and accounting documents for the period stipulated in the Regulations, and the fine shall be for each tax period.”

Second: Requests:

In light of the the above, Defendant requests that its decision be upheld and Plaintiff's Case be dismissed for the stated grounds, while reserving its right to present further responses and clarifications before the closure of pleadings.”

On Monday, 17/01/2022 AD, the Department held its session via video conference in accordance with the procedures for remote video litigation to consider the Case filed by Plaintiff against Defendant, wherein Mr., holder of National ID No., appeared in his own capacity; and Mr., holder of National ID No., appeared in his capacity as Defendant's “ZATCA” Representative, by virtue of Authorization No., dated .../.../..., issued by ZATCA's Deputy Governor for Legal Affairs and Compliance. Having asked Plaintiff regarding the Case, he maintained the statements contained in the statement of claim previously submitted to General Secretariat of Tax Committees. Having asked Defendant's Representative regarding his response, he maintained the statements contained in the Reply previously submitted to General Secretariat of Tax Committees. Having asked Parties hereto whether they had further statements, they were satisfied with their earlier submissions. Therefore, the Department decided to adjourn the hearing for deliberation in preparation for delivering a decision.

Grounds

Having taken cognizance of the case papers and after due examination of its documents, and having taken cognizance of the Law of Value Added Tax promulgated by Royal Decree No. (M/113) of 02/11/1438 AH, as amended, and its Implementing Regulations issued by issued by ZATCA “Previously GAZT” Board of Directors Decision No. (3839) of 14/12/1438 AH, as amended, the Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. (26040) of 11/06/1441 AH, and the Common VAT Agreement of GCC States, as well as other relevant laws and regulations, the Department has decided to consider the Case.

In Form: Since Plaintiff filed the Case to abolish Defendant's decision regarding the imposition of a field examination fine, represented in failure to keep tax invoices; and since this dispute is a Tax dispute, it then falls within the jurisdiction of the Committee for Determination of Income Tax Violations and Disputes under Royal Decree No. (26040) of 21/04/1441 AH; and since the Case was filed with a party having capacity and within the prescribed statutory period, it is then accepted in form.

On Merits: Having taken cognizance of the case papers and documents and granted parties thereto sufficient time to present all arguments and documents, the Department found that the dispute lies in Plaintiff's objection to Defendant's decision regarding the imposition of a fine for failure to keep tax invoices, books, records, and accounting documents; and since Defendant has submitted the report of the field examination dated 09/02/2021 AD and signed by Plaintiff's Representatives, which shows Plaintiff's failure to keep VAT invoices, as the description of the violation stated: “Failure to keep records, documents and tax invoices;” and since Plaintiff's argument that the invoices are existed in his premises without providing evidence supporting the same is not considered a valid argument; and since Article (66.1) of the Implementing Regulations of the Law of Value



Added Tax, stipulates: “The invoices, books, records and accounting documents required to be maintained by a Taxable Person in accordance with the Law and these Regulations shall be kept for a minimum period of six (6) years from the end of the Tax Period to which they relate. Records with respect to Capital Assets shall be kept for a minimum of the Adjustment Period for these Capital Assets prescribed in article fifty-two of these Regulations, plus five (5) years, with such period starting from the date those Capital Assets are acquired by the Taxable Person;” and since Article (45.1) of the Law of Value Added Tax, stipulates: “A fine not exceeding 50,000 riyals shall be imposed on any person who: 1. Fails to maintain tax invoices, books, records, and accounting documents for the period stipulated in the Regulations, and the fine shall be for each tax period;” Therefore, the Department satisfies to dismiss Plaintiff’s Case and uphold Defendant’s decision as to the conclusion it had in imposing the fine in question.

In light of the above grounds and in accordance with the provisions of the Common VAT Agreement of GCC States, the Law of Value Added Tax and its Implementing Regulations, and the Tax Dispute and Violation Committee Procedures, the Department, after deliberation, unanimously decided the following:

Decision

Dismiss Plaintiff’s Case.

This Decision was delivered in the presence of Both Parties. The Department has set thirty (30) days for receipt of a copy of this Decision, and it may be extended to another same period as the Department deems appropriate. This Decision is deemed final and enforceable under Article (42) of Tax Dispute and Violation Committee Procedures.

May Allah’s Blessings And Peace Be Upon Our Prophet Muhammad And His Family
And Companions.

(The Decision is deemed final and imperative by the lapse of the objection period under Article (40) of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-115
Case No.: V-68934-2021

Key words:

Value Added – Field Examination Fine – Failure to Present VAT Registration Certificate
– Cancellation of Fine – Acceptance of Plaintiff's Case.

Abstract

Plaintiff ("Taxpayer") filed this Case moving to abolish Defendant's ("ZATCA") decision regarding the imposition of a field examination fine in the amount of (SAR 10,000), due to non-compliance with the requirements of the tax invoices, represented in failure to present VAT Registration Certificate, wherein the dispute lies in Plaintiff's request to cancel the fine in question.

The Department Found That:

Defendant has failed to submit the documents requested by the Department regarding the clarification of the imposition of two fines during a single field examination.

The Department Decided To

Accept Plaintiff's Case and cancel the fine in question.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Law of Value Added Tax promulgated by Royal Decree No. \(M/113\) of 02/11/1438 AH](#)
- [Common VAT Agreement of GCC States, November 2016.](#)
- [Implementing Regulations of Law of Value Added Tax issued by ZATCA "Previously GAZT" Board of Directors Decision No. \(3839\) of 14/12/1438 AH, corresponding 14/11/2016 AD](#)

Facts

Facts of the Case are summarized as follows: Ms., holder of National ID No., in her capacity as Owner of Establishment, C.R. No.; has filed a statement of claim objecting to the decision issued by Zakat, Tax, and Customs Authority ("ZATCA"/ "Defendant") regarding the imposition of a field examination fine in the amount of (SAR 10,000), due to non-compliance with the requirements of the tax invoices, represented in failure to present VAT Registration Certificate, and requested abolishment of Defendant's decision.

Having presented the statement of claim to Defendant, it submitted a Reply that included the following:

"First: The Case is inadmissible in form, as Plaintiff did not file her Case before the General Secretariat within the prescribed statutory period in accordance with the provisions of Article (2) of the Tax Dispute and Violation Committee Procedures. Additionally, since Defendant's decision in rejecting the objection was issued on 20/06/2021 AD, while



Plaintiff filed her case before the General Secretariat on 05/09/2021 AD, there is a more than 30-day gap between the date of the notice and the date of the filing the Case. Accordingly, and due to the lapse of the prescribed statutory period for accepting the objection in terms of form, the appealed decision may not be disputed for being time-barred in accordance with the provisions of Article (3.2) of the Tax Dispute and Violation Committee Procedures.

Second: Requests:

In light of the the above, Defendant requests that its decision be upheld and Plaintiff's Case be dismissed in form for the stated grounds, while reserving its right to present further responses and clarifications before the closure of pleadings."

On Sunday, 19/12/2022 AD, the Department held its session via video conference in accordance with the procedures for remote video litigation to consider the Case filed by Plaintiff against Defendant, wherein Mr., holder of National ID No., appeared in his capacity as Plaintiff's Attorney, under POA No.; and Mr., holder of National ID No., appeared in his capacity as Defendant's "ZATCA" Representative, by virtue of Authorization No., dated .../.../..., issued by ZATCA's Deputy Governor for Legal Affairs and Compliance. Having asked Plaintiff regarding the Case, he maintained the statements contained in the statement of claim previously submitted to the General Secretariat of Tax Committees. Having asked Defendant's Representative regarding his response, he maintained the statements contained in the Reply. Having asked Parties hereto whether they had further statements, they were satisfied with their earlier submissions. Having asked Defendant's Representative regarding the imposition of two fines on Plaintiff on single field examination and with for same reason, which is not presenting VAT Registration Certificate, he requested a continuance to submit his response. The Department asked Defendant's Representative to submit the report of the field examination dated 23/02/2021 AD. Therefore, the Department decided to postpone consideration of the Case to 17/01/2022 AD at 12:00 PM.

Plaintiff submitted a Replication that included the following: "First: 1. Plaintiff fully denies Defendant's arguments stated in its Reply, as they are incorrect and in violation of the provisions of the Law system and Sharia, and also in violation of the provisions of Article (11) of the Tax Dispute and Violation Committee Procedures.

2. Defendant imposed a fine on the assumption that Plaintiff did not present VAT Registration Certificate on 25/03/2021 AD.

3. Immediately on 30/03/2021 AD, Plaintiff filed an objection to cancel the fine due to the absence of a violation as claimed by Defendant, as well as the absence of a report of field examination signed by Plaintiff.

4. Plaintiff contacted Defendant as soon as she knew that her objection regarding the cancellation of the fine on 01/09/2021 AD was rejected, wherein Defendant informed Plaintiff through Defendant's registered phone call of the rejection of her objection. Defendant advised Plaintiff to file a grievance with the General Secretariat of Tax Committees directly.

Accordingly, Plaintiff filed the Case to cancel the fine in question within the prescribed statutory period in accordance with Article (11) of the Tax Dispute and Violation Committee Procedures, which stipulates: "The process shall be deemed valid and served to the relevant recipient in person if it is done through any of the following means:; 4. Recorded phone calls to the registered phone number," as Plaintiff immediately filed the Case that was registered under No. on 05/09/2021 AD, i.e., within the statutory period, which is thirty (30) days from the date of notification of the of the decision to reject the objection in accordance with Article (2) of the Tax Dispute and Violation Committee Procedures, which stipulates: "Any person against whom a decision has been issued by



GAZT may file an objection before it within 60 days from the date of notification thereof. GAZT shall decide on the objection within 90 days from the date of filing. If a decision is made to deny the objection or a period of 90 days lapses without deciding thereon, a taxpayer may, within 30 days from the date of being notified of the denial of the objection.”

5. The criterion herein is the date of notification of the decision, not the date of issuance of the rejection decision issued by Defendant as claimed in its Reply.

6. Plaintiff refers to the jurisprudence rule “Ex injuria jus non oritur,” as there is no violation committed by Plaintiff, under which Defendant imposed the fine in question.

7. Plaintiff also refers to Article (38) of the Basic Law of Governance, which stipulates: “Punishment shall be limited to the offender. An act shall not be deemed a crime and a punishment shall not be imposed except pursuant to a Sharia or legal provision.” Therefore, there is no error or violation committed by Plaintiff at all.

Second: Requests:

1. Accept the Case in form for being filed within the statutory period, which is thirty (30) days from the date of notification of the of the decision to reject the objection in accordance with Article (2) of the Tax Dispute and Violation Committee Procedures.

2. Abolish Defendant’s decision regarding the fine in question and any effects resulting therefrom.

On Monday, 17/01/2022 AD, the Department held its session via video conference in accordance with the procedures for remote video litigation to consider the Case filed by Plaintiff against Defendant, wherein Mr., holder of National ID No., appeared in his capacity as Plaintiff’s Attorney, under POA No.; and Mr., holder of National ID No., appeared in his capacity as Defendant’s “ZATCA” Representative, by virtue of Authorization No., dated .../.../..., issued by ZATCA’s Deputy Governor for Legal Affairs and Compliance. Having asked Defendant’s Representative regarding the Department’s request in the previous hearing, he stated that he had no further submission other than those that have been previously submitted. Having asked Parties hereto whether they had further statements, they were satisfied with their earlier submissions. Therefore, the Department decided to adjourn the hearing for deliberation in preparation for delivering a decision.

Grounds

Having taken cognizance of the case papers and after due examination of its documents, and having taken cognizance of the Law of Value Added Tax promulgated by Royal Decree No. (M/113) of 02/11/1438 AH, as amended, and its Implementing Regulations issued by issued by ZATCA “Previously GAZT” Board of Directors Decision No. (3839) of 14/12/1438 AH, as amended, the Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. (26040) of 11/06/1441 AH, and the Common VAT Agreement of GCC States, as well as other relevant laws and regulations, the Department has decided to consider the Case.

In Form: Since Plaintiff filed the Case to abolish Defendant’s decision regarding the imposition of a field examination fine, represented in failure to present VAT Registration Certificate; and since this dispute is a Tax dispute, it then falls within the jurisdiction of the Committee for Determination of Income Tax Violations and Disputes under Royal Decree No. (26040) of 21/04/1441 AH; and since the Case was filed with a party having capacity and within the prescribed statutory period, it is then accepted in form.

On Merits: Having taken cognizance of the case papers and documents and granted parties thereto sufficient time to present all arguments and documents, the Department found that the dispute lies in Plaintiff’s objection to Defendant’s decision regarding the imposition of a field examination fine, represented in failure to present VAT Registration Certificate, wherein Plaintiff argued that the fine imposed is invalid, as VAT Registration



Certificate is placed in her premises, clearly and conspicuously; and since Defendant has failed to submit the documents requested by the Department regarding the clarification of the imposition of two fines during a single field examination; and since it is established that “Acquittance is the Rule and the Burden of Proof Lies upon Whoever Claims the Contrary;” Therefore, the Department satisfies to abolish Defendant’s decision as to the conclusion it had in this regard.

In light of the above grounds and in accordance with the provisions of the Common VAT Agreement of GCC States, the Law of Value Added Tax and its Implementing Regulations, and the Tax Dispute and Violation Committee Procedures, the Department, after deliberation, unanimously decided the following:

Decision

Accept Plaintiff’s Case and cancel the fine in question.

This Decision was delivered in the presence of Both Parties. The Department has set thirty (30) days for receipt of a copy of this Decision, and it may be extended to another same period as the Department deems appropriate. This Decision is deemed final and enforceable under Article (42) of Tax Dispute and Violation Committee Procedures.

May Allah’s Blessings And Peace Be Upon Our Prophet Muhammad And His Family
And Companions.

(The Decision is deemed final and imperative by the lapse of the objection period under Article (40) of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-116
Case No.: V-60947-2021

Key words:

Value Added Tax – Field Examination Fine – Fine for Lack of TIN – Issuance Date of Fine – Acceptance of Plaintiff's Case.

Abstract

Plaintiff ("Taxpayer") filed this Case moving to abolish Defendant's ("ZATCA") decision regarding the imposition of a field examination fine in the amount of (SAR 10,000), due to non-compliance with the requirements of the tax invoices, represented in lack of TIN, wherein the dispute lies in Plaintiff's request to cancel the fine in question.

The Department Found That:

There is a long period between the date of the fine decision and the date of the report of the field examination, which necessitates not accepting the imposition of the fine at the time of issuance of its decision by Defendant or its failure to do so.

The Department Decided To:

Accept Plaintiff's Case and cancel the fine in question.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Law of Value Added Tax promulgated by Royal Decree No. \(M/113\) of 02/11/1438 AH](#)
- [Common VAT Agreement of GCC States, November 2016.](#)
- [Implementing Regulations of Law of Value Added Tax issued by ZATCA "Previously GAZT" Board of Directors Decision No. \(3839\) of 14/12/1438 AH, corresponding 14/11/2016 AD](#)

Facts

Facts of the Case are summarized as follows: Mr., holder of National ID No., in his capacity as Owner of Establishment, C.R. No.; has filed a statement of claim objecting to the decision issued by Zakat, Tax, and Customs Authority ("ZATCA"/ "Defendant") regarding the imposition of a field examination fine in the amount of (SAR 10,000), due to non-compliance with the requirements of the tax invoices, represented in lack of Tax Identification Number ("TIN"), and requested abolishment of Defendant's decision.

Having presented the statement of claim to Defendant, it submitted a Reply that included the following:

"1. On 07/04/2019 AD, Defendant's representatives visited Plaintiff's premises and examined the simplified invoices submitted by Plaintiff during the field examination to ensure the proper application of the Law of Value Added Tax and its Implementing Regulations. After inspection, Defendant's representatives found that Plaintiff violated the



requirements of the simplified invoice set forth in Article (53.8/B) of the Implementing Regulations of the Law of Value Added Tax, which stipulates: “A simplified Tax Invoice shall include the following details:; b) The name, address, and Tax Identification Number of the Supplier.”

2. Having verified Plaintiff violation of the provisions of the Law of Value Added Tax and its Implementing Regulations as stated above, Defendant fined Plaintiff an amount of (SAR 10,000) under its Decision No., in accordance with Article (45.3) of the Law of Value Added Tax, which stipulates: “A fine not exceeding 50,000 riyals shall be imposed on any person who:; 3. Violates any other provision of the Law or the Regulations.” Defendant concluded by requesting uphold of its decision and dismissal of Plaintiff’s Case for the stated grounds, while reserving its right to present further responses and clarifications before the closure of pleadings.”

On Monday, 17/01/2022 AD, the Department held its session via video conference in accordance with the procedures for remote video litigation. Having called parties to Case, Mr., holder of National ID No., appeared in his capacity as Defendant’s (“ZATCA”) Representative, by virtue of Authorization No., dated .../.../..., issued by ZATCA’s Deputy Governor for Legal Affairs and Compliance. Neither Plaintiff nor his Representative appeared at the hearing, despite being legally served with its date the method of its convention, or provided any excuse for his non-appearance. Having informed Defendant’s Representative of Plaintiff’s absence, he requested to proceed with the consideration of the Case and the issuance of a decision thereon. Having considered the Case and examined the documents submitted; and since the Case is ripe for adjudication; and in accordance with the Law of Value Added Tax, its Implementing Regulations, and the Tax Dispute and Violation Committee Procedures, the Department decided to adjourn the hearing for deliberation in preparation for delivering a decision.

Grounds

Having taken cognizance of the case papers and after due examination of its documents, and having taken cognizance of the Law of Value Added Tax promulgated by Royal Decree No. (M/113) of 02/11/1438 AH, as amended, and its Implementing Regulations issued by ZATCA “Previously GAZT” Board of Directors Decision No. (3839) of 14/12/1438 AH, as amended, the Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. (26040) of 11/06/1441 AH, and the Common VAT Agreement of GCC States, as well as other relevant laws and regulations, the Department has decided to consider the Case.

In Form: Since Plaintiff filed the Case to abolish Defendant’s decision regarding the imposition of a field examination fine due to non-compliance with the requirements of the tax invoices, represented in lack of TIN; and since this dispute is a Tax dispute, it then falls within the jurisdiction of the Committee for Determination of Income Tax Violations and Disputes under Royal Decree No. (26040) of 21/04/1441 AH; and since the Case was filed with a party having capacity and within the prescribed statutory period, it is then accepted in form.

On Merits: Having taken cognizance of the case papers and documents and granted parties thereto sufficient time to present all arguments and documents, the Department found that the dispute lies in Plaintiff’s objection to Defendant’s decision regarding the imposition of a field examination fine due to non-compliance with the requirements of the tax invoices, represented in lack of TIN; and since the fine in question was imposed pursuant to the report of the field examination dated 07/04/2019 AD, which included the type of violation “Lack of TIN;” and since the fine decision was issued after two years from the date of the report of the field examination; and since there is a long period between the date of the fine decision and the date of the report of the field examination,



which necessitates not accepting the imposition of the fine at the time of issuance of its decision by Defendant or its failure to do so, as the purpose of imposing the fine is to notify the person against whom it is imposed at the time of the transgression or negligence he committed, which is not the case; thus, imposing the fine after a long period of time constitutes a deviation by Defendant from its quest, and it also prevents Plaintiff from submitting his evidence at the time, which necessitates abolishing Defendant's decision, especially since the Case file has not established that a previous violation had been committed by Plaintiff; Therefore, the Department satisfies to accept Plaintiff Case and abolish Defendant's decision as to the conclusion it had in this regard.

In light of the above grounds and in accordance with the provisions of the Common VAT Agreement of GCC States, the Law of Value Added Tax and its Implementing Regulations, and the Tax Dispute and Violation Committee Procedures, the Department, after deliberation, unanimously decided the following:

Decision

Accept Plaintiff's Case and cancel the fine in question.

This Decision was delivered in the presence of Both Parties in accordance with the provisions of Article (56) of Law of Civil Procedure. The Department has set thirty (30) days for receipt of a copy of this Decision, and it may be extended to another same period as the Department deems appropriate. This Decision is deemed final and enforceable under Article (42) of Tax Dispute and Violation Committee Procedures.

May Allah's Blessings And Peace Be Upon Our Prophet Muhammad And His Family
And Companions.

(The Decision is deemed final and imperative by the lapse of the objection period under Article (40) of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-118
Case No.: V-63761-2021

Key words:

Value Added Tax – Field examination fine – Fine for Absence of Establishment’s Address in Tax Invoice – Violation of Requirements of Simplified Tax Invoice – Dismissal of Plaintiff’s Case.

Abstract

Plaintiff (“Taxpayer”) filed this Case moving to abolish Defendant’s (“ZATCA”) decision regarding the imposition of a field examination fine in the amount of (SAR 10,000), due to non-compliance with the requirements of the tax invoices, represented in the absence of the Establishment address in the tax invoice, wherein the dispute lies in Plaintiff’s request to cancel the fine in question.

The Department Found That:

Plaintiff has failed to provide evidence supporting his argument that he had attached a copy of the invoice proving that he was committed to placing the Establishment address.

The Department Decided To:

Dismiss Plaintiff’s Case.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Law of Value Added Tax promulgated by Royal Decree No. \(M/113\) of 02/11/1438 AH](#)
- [Common VAT Agreement of GCC States, November 2016.](#)
- [Implementing Regulations of Law of Value Added Tax issued by ZATCA “Previously GAZT” Board of Directors Decision No. \(3839\) of 14/12/1438 AH, corresponding 14/11/2016 AD](#)

Facts

Facts of the Case are summarized as follows: Mr., holder of National ID No., in his capacity as Owner of Establishment, C.R. No.; has filed a statement of claim objecting to the decision issued by Zakat, Tax, and Customs Authority (“ZATCA”/ “Defendant”) regarding the imposition of a field examination fine in the amount of (SAR 10,000), due to non-compliance with the requirements of the tax invoices, represented in the absence of the Establishment address in the tax invoice, and requested abolishment of Defendant’s decision.

Having presented the statement of claim to Defendant it submitted a Reply that included the following:

“Having reviewed Plaintiff’s statement of claim, Defendant found that it centers in the absence of the Establishment address in the tax invoice, wherein Defendant stated that: 1. On 04/04/2021 AD, Defendant’s representatives visited Plaintiff’s premises and



examined the simplified invoices submitted by Plaintiff during the field examination to ensure the proper application of the Law of Value Added Tax and its Implementing Regulations. After inspection, Defendant's representatives found that Plaintiff violated the requirements of the simplified invoice set forth in Article (53.8/B) of the Implementing Regulations of the Law of Value Added Tax, which stipulates: "A simplified Tax Invoice shall include the following details:; b) The name, address, and Tax Identification Number of the Supplier."

2. Having verified Plaintiff violation of the provisions of the Law of Value Added Tax and its Implementing Regulations as stated above, Defendant fined Plaintiff an amount of (SAR 10,000) under its Decision No., in accordance with Article (45.3) of the Law of Value Added Tax, which stipulates: "A fine not exceeding 50,000 riyals shall be imposed on any person who:; 3. Violates any other provision of the Law or the Regulations." Defendant concluded by requesting uphold of its decision and dismissal of Plaintiff's Case for the stated grounds, while reserving its right to present further responses and clarifications before the closure of pleadings."

On Monday, 17/01/2022 AD, the Department held its session via video conference in accordance with the procedures for remote video litigation to consider the Case filed by Plaintiff against Defendant, wherein Mr., holder of National ID No., appeared in his own capacity; and Mr., holder of National ID No., appeared in his capacity as Defendant's "ZATCA" Representative, by virtue of Authorization No., dated 08/03/1442 AH, issued by ZATCA's Deputy Governor for Legal Affairs and Compliance. Having asked Plaintiff regarding the Case, he maintained the statements contained in the statement of claim previously submitted to General Secretariat of Tax Committees.

Having asked Defendant's Representative regarding his response, he maintained the statements contained in the Reply previously submitted to General Secretariat of Tax Committees. Having asked Parties hereto whether they had further statements, they were satisfied with their earlier submissions. Therefore, the Department decided to adjourn the hearing for deliberation in preparation for delivering a decision.

Grounds

Having taken cognizance of the case papers and after due examination of its documents, and having taken cognizance of the Law of Value Added Tax promulgated by Royal Decree No. (M/113) of 02/11/1438 AH, as amended, and its Implementing Regulations issued by ZATCA "Previously GAZT" Board of Directors Decision No. (3839) of 14/12/1438 AH, as amended, the Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. (26040) of 11/06/1441 AH, and the Common VAT Agreement of GCC States, as well as other relevant laws and regulations, the Department has decided to consider the Case.

In Form: Since Plaintiff filed the Case to abolish Defendant's decision regarding the imposition of a field examination fine due to non-compliance with the requirements of the tax invoices, represented in the absence of the Establishment address in the tax invoice; and since this dispute is a Tax dispute, it then falls within the jurisdiction of the Committee for Determination of Income Tax Violations and Disputes under Royal Decree No. (26040) of 21/04/1441 AH; and since the Case was filed with a party having capacity and within the prescribed statutory period, it is then accepted in form.

On Merits: Having taken cognizance of the case papers and documents and granted parties thereto sufficient time to present all arguments and documents, the Department found that the dispute lies in Plaintiff's objection to Defendant's decision regarding the imposition of a field examination fine due to non-compliance with the requirements of the tax invoices, represented in the absence of the Establishment address in the tax invoice;



and since the fine in question was imposed pursuant to the report of the field examination dated 04/04/2021 AD, which included the type of violation “Absence of Establishment Address in Tax Invoice;” and since Plaintiff has failed to provide evidence supporting his argument that he had attached a copy of the invoice proving that he was committed to placing the Establishment address; and since Plaintiff has acknowledged in his Reply that “After Defendant’s representative visited his premises and made his observations, he did not indicate that Plaintiff was given a violation, but rather indicated that there was an observation in the invoice, as Plaintiff took the initiative to amend the form of the invoice so that it included the address details;” Therefore, the Department satisfies to dismiss Plaintiff Case and uphold Defendant’s decision as to the conclusion it had in this regard. In light of the above grounds and in accordance with the provisions of the Common VAT Agreement of GCC States, the Law of Value Added Tax and its Implementing Regulations, and the Tax Dispute and Violation Committee Procedures, the Department, after deliberation, unanimously decided the following:

Decision

Dismiss Plaintiff’s Case.

This Decision was delivered in the presence of Both Parties. The Department has set thirty (30) days for receipt of a copy of this Decision, and it may be extended to another same period as the Department deems appropriate. This Decision is deemed final and enforceable under Article (42) of Tax Dispute and Violation Committee Procedures.

May Allah’s Blessings And Peace Be Upon Our Prophet Muhammad And His Family
And Companions.

(The Decision is deemed final and imperative by the lapse of the objection period under Article (40) of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-119
Case No.: V-63687-2021

Key words:

Value Added Tax – Field Examination Fine – Fine for Failure to Present VAT Registration Certificate – Dismissal of Plaintiff's Case.

Abstract

Plaintiff ("Taxpayer") filed this Case moving to abolish Defendant's ("ZATCA") decision regarding the imposition of a field examination fine in the amount of (SAR 10,000), due to non-compliance with the requirements of the tax invoices, represented in failure to present VAT Registration Certificate, wherein the dispute lies in Plaintiff's request to cancel the fine in question.

The Department Found That:

The fine was imposed pursuant to the report of the field examination dated 13/06/2021 AD, which included the type of violation "Failure to Present VAT Registration Certificate."

The Department Decided To:

Dismiss Plaintiff's Case.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Law of Value Added Tax promulgated by Royal Decree No. \(M/113\) of 02/11/1438 AH](#)
- [Common VAT Agreement of GCC States, November 2016.](#)
- [Article \(8.8\) of the Implementing Regulations of Law of Value Added Tax issued by ZATCA "Previously GAZT" Board of Directors Decision No. \(3839\) of 14/12/1438 AH, corresponding 14/11/2016 AD](#)

Facts

Facts of the Case are summarized as follows: Ms., holder of National ID No., in her capacity as Owner of Establishment, C.R. No.; has filed a statement of claim objecting to the decision issued by Zakat, Tax, and Customs Authority ("ZATCA"/ "Defendant") regarding the imposition of a field examination fine in the amount of (SAR 10,000), due to non-compliance with the requirements of the tax invoices, represented in failure to present VAT Registration Certificate, and requested abolishment of Defendant's decision.

Having presented the statement of claim to Defendant, it submitted a Reply that included the following:

"1. Defendant's representatives visited Plaintiff's premises during the field examination to ensure the proper application of the Law of Value Added Tax and its Implementing Regulations. After inspection, Defendant's representatives found that Plaintiff violated the



requirements of the simplified invoice set forth in Article (8.8) of the Implementing Regulations of the Law of Value Added Tax, which stipulates: “The resident Taxable Person, who is registered with the Authority shall provide the registration certificate in its headquarters and branches as it shall be visible to the public.”

2. Having verified Plaintiff violation of the provisions of the Law of Value Added Tax and its Implementing Regulations as stated above, Defendant fined Plaintiff an amount of (SAR 10,000) under its Decision No., in accordance with Article (45.3) of the Law of Value Added Tax, which stipulates: “A fine not exceeding 50,000 riyals shall be imposed on any person who:; 3. Violates any other provision of the Law or the Regulations.” Defendant concluded by requesting uphold of its decision and dismissal of Plaintiff’s Case for the stated grounds, while reserving its right to present further responses and clarifications before the closure of pleadings.”

On Monday, 17/01/2022 AD, the Department held its session via video conference in accordance with the procedures for remote video litigation. Having called parties to Case, Mr., holder of National ID No., appeared in his capacity as Defendant’s (“ZATCA”) Representative, by virtue of Authorization No., dated .../.../..., issued by ZATCA’s Deputy Governor for Legal Affairs and Compliance. Neither Plaintiff nor her Representative appeared at the hearing, despite being legally served with its date the method of its convention, or provided any excuse for her non-appearance. Having informed Defendant’s Representative of Plaintiff’s absence, he requested to proceed with the consideration of the Case and the issuance of a decision thereon. Having considered the Case and examined the documents submitted; and since the Case is ripe for adjudication; and in accordance with the Law of Value Added Tax, its Implementing Regulations, and the Tax Dispute and Violation Committee Procedures, the Department decided to adjourn the hearing for deliberation in preparation for delivering a decision.

Grounds

Having taken cognizance of the case papers and after due examination of its documents, and having taken cognizance of the Law of Value Added Tax promulgated by Royal Decree No. (M/113) of 02/11/1438 AH, as amended, and its Implementing Regulations issued by issued by ZATCA “Previously GAZT” Board of Directors Decision No. (3839) of 14/12/1438 AH, as amended, the Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. (26040) of 11/06/1441 AH, and the Common VAT Agreement of GCC States, as well as other relevant laws and regulations, the Department has decided to consider the Case.

In Form: Since Plaintiff filed the Case to abolish Defendant’s decision regarding the imposition of a field examination fine, represented in failure to present VAT Registration Certificate; and since this dispute is a Tax dispute, it then falls within the jurisdiction of the Committee for Determination of Income Tax Violations and Disputes under Royal Decree No. (26040) of 21/04/1441 AH; and since the Case was filed with a party having capacity and within the prescribed statutory period, it is then accepted in form.

On Merits: Having taken cognizance of the case papers and documents and granted parties thereto sufficient time to present all arguments and documents, the Department found that the dispute lies in Plaintiff’s objection to Defendant’s decision regarding the imposition of a field examination fine due to non-compliance with the requirements of the tax invoices, represented in failure to present VAT Registration Certificate; and since the fine in question was imposed pursuant to the report of the field examination dated 13/06/2021 AD, which included the type of violation “Failure to Present VAT Registration Certificate;” and since Plaintiff has acknowledged in her statement of claim that the certificates were placed behind the reception until the maintenance of the air conditioning is completed, which constitutes a violation of the provisions of Article (8.8)



of the Implementing Regulations of the Law of Value Added Tax; Therefore, the Department satisfies to accept Plaintiff Case and abolish Defendant's decision as to the conclusion it had in this regard.

In light of the above grounds and in accordance with the provisions of the Common VAT Agreement of GCC States, the Law of Value Added Tax and its Implementing Regulations, and the Tax Dispute and Violation Committee Procedures, the Department, after deliberation, unanimously decided the following:

Decision

Dismiss Plaintiff's Case.

This Decision was delivered in the presence of Both Parties in accordance with the provisions of Article (56) of Law of Civil Procedure. The Department has set thirty (30) days for receipt of a copy of this Decision, and it may be extended to another same period as the Department deems appropriate. This Decision is deemed final and enforceable under Article (42) of Tax Dispute and Violation Committee Procedures.

May Allah's Blessings And Peace Be Upon Our Prophet Muhammad And His Family
And Companions.

(The Decision is deemed final and imperative by the lapse of the objection period under Article (40) of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-120
Case No.: V-60568-2021

Key words:

Value Added – Field Examination Fine – Failure to Keep Invoices, Accounting Records & Documents – Dismissal of Plaintiff's Case.

Abstract

Plaintiff ("Taxpayer") filed this Case moving to abolish Defendant's ("ZATCA") decision regarding the imposition of a field examination fine in the amount of (SAR 10,000), due to non-compliance with the requirements of the tax invoices, represented in failure to keep the tax invoices, books, records, and accounting documents, wherein the dispute lies in Plaintiff's request to cancel the fine in question.

The Department Found That:

The fine was imposed pursuant to the report of the field examination dated 14/03/2021 AD, which included the type of violation "Failure to Keep Tax Invoices, Books, Records, and Accounting Documents."

The Department Decided To:

Dismiss Plaintiff's Case.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- Article (45.1) of [Law of Value Added Tax promulgated by Royal Decree No. \(M/113\) of 02/11/1438 AH](#)
- [Common VAT Agreement of GCC States, November 2016.](#)
- Articles (52) and (66.1) of [Implementing Regulations of Law of Value Added Tax issued by ZATCA "Previously GAZT" Board of Directors Decision No. \(3839\) of 14/12/1438 AH, corresponding 14/11/2016 AD.](#)

Facts

Facts of the Case are summarized as follows: Ms., holder of National ID No., in her capacity as Owner of Establishment, C.R. No.; has filed a statement of claim objecting to the decision issued by Zakat, Tax, and Customs Authority ("ZATCA"/ "Defendant") regarding the imposition of a field examination fine in the amount of (SAR 10,000), due to non-compliance with the requirements of the tax invoices, represented in failure to keep tax invoices, and requested abolishment of Defendant's decision. The statement of claim included the following:

"Plaintiff requests the Esteemed Department to cancel the fine in question for the following reasons:



1. The VAT Registration Certificate is available at her premises. Plaintiff only need guidance considering that the Law of Value Added Tax is new and many are unaware of its provisions and requirements.
2. The store's invoices are available, and TIN is printed thereon. If something else is meant, we need guidance, not a fine.
3. Plaintiff's commitment to submitting quarterly tax reports demonstrates her credibility in dealing with the tax system.
4. Plaintiff's commitment to paying tax amount also demonstrates her credibility in dealing with the tax system.
5. Plaintiff has not been proven to have committed any tax evasion or delay in payment.
6. Small businesses such as Plaintiff cannot bear fines of this value in light of the current market situation and economic activity.
7. The recession during the Corona pandemic and the continuation of obligations (rent, electricity, etc.) require assistance and favorable consideration, especially since no tax evasion or fraud has been proven to be committed by Plaintiff. Note: Defendant's representative did not inform Plaintiff that she was in violation, nor did he point out any mistake, or did educate or guide the worker (Mr.); rather, he stated that all is good. Eventually, Plaintiff kindly requests the Department to take into consideration her case and the economic situation in general and to cancel the fine so that we can continue and participate in the urban renaissance of our beloved country.

Having presented the statement of claim to Defendant, it submitted a Reply that included the following:

"1. On 14/03/2021 AD, Defendant's representatives visited Plaintiff's premises and examined the simplified invoices submitted by Plaintiff during the field examination to ensure the proper application of the Law of Value Added Tax and its Implementing Regulations. Having asked Plaintiff's representative regarding the tax invoices, books, records, and accounting documents, he stated that Plaintiff did not keep these documents, which is a violation of the provisions of Article (66.1) of the Implementing Regulations of the Law of Value Added Tax, which stipulates: "The invoices, books, records and accounting documents required to be maintained by a Taxable Person in accordance with the Law and these Regulations shall be kept for a minimum period of six (6) years from the end of the Tax Period to which they relate."

2. Having verified Plaintiff violation of the provisions of the Law of Value Added Tax and its Implementing Regulations as stated above, Defendant fined Plaintiff an amount of (SAR 10,000) under its Decision No., pursuant to Article (45.1) of the Law of Value Added Tax, which stipulates: "A fine not exceeding 50,000 riyals shall be imposed on any person who: 1. Fails to maintain tax invoices, books, records, and accounting documents for the period stipulated in the Regulations, and the fine shall be for each tax period." Defendant concluded by requesting uphold of its decision and dismissal of Plaintiff's Case for the stated grounds, while reserving its right to present further responses and clarifications before the closure of pleadings."

On Wednesday, 12/01/2022 AD, the Department held its session via video conference in accordance with the procedures for remote video litigation. Having called parties to Case, Mr., holder of National ID No., appeared in his capacity as Defendant's ("ZATCA") Representative, by virtue of Authorization No., dated .../.../..., issued by ZATCA's Deputy Governor for Legal Affairs and Compliance. Neither Plaintiff nor her Representative appeared at the hearing, despite being legally served with its date the method of its convention. Having informed Defendant's Representative of Plaintiff's absence, he requested to proceed with the consideration of the Case and the issuance of a decision thereon. Having considered the Case and examined the documents submitted; and since the Case is ripe for adjudication; and in accordance with the Law of Value Added



Tax, its Implementing Regulations, and the Tax Dispute and Violation Committee Procedures, the Department decided to adjourn the hearing for deliberation in preparation for delivering a decision.

Grounds

Having taken cognizance of the case papers and after due examination of its documents, and having taken cognizance of the Law of Value Added Tax promulgated by Royal Decree No. (M/113) of 02/11/1438 AH, as amended, and its Implementing Regulations issued by ZATCA “Previously GAZT” Board of Directors Decision No. (3839) of 14/12/1438 AH, as amended, the Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. (26040) of 11/06/1441 AH, and the Common VAT Agreement of GCC States, as well as other relevant laws and regulations, the Department has decided to consider the Case.

In Form: Since Plaintiff filed the Case to abolish Defendant’s decision regarding the imposition of a field examination fine, represented in failure to keep tax invoices; and since this dispute is a Tax dispute, it then falls within the jurisdiction of the Committee for Determination of Income Tax Violations and Disputes under Royal Decree No. (26040) of 21/04/1441 AH; and since the Case was filed with a party having capacity and within the prescribed statutory period, it is then accepted in form.

On Merits: Having taken cognizance of the case papers and documents and granted parties thereto sufficient time to present all arguments and documents, the Department found that the dispute lies in Plaintiff’s objection to Defendant’s decision regarding the imposition of a fine for failure to keep tax invoices, books, records, and accounting documents; and since the fine in question was imposed pursuant to the report of the field examination dated 14/03/2019 AD, which included the type of violation “Failure to Keep Tax Invoices, Books, Records, and Accounting Documents;” and since Plaintiff has failed to provide evidence supporting her argument of the existence of the tax invoices, violating Article (66.1) of the Implementing Regulations of the Law of Value Added Tax, which stipulates: “The invoices, books, records and accounting documents required to be maintained by a Taxable Person in accordance with the Law and these Regulations shall be kept for a minimum period of six (6) years from the end of the Tax Period to which they relate. Records with respect to Capital Assets shall be kept for a minimum of the Adjustment Period for these Capital Assets prescribed in article fifty-two of these Regulations, plus five (5) years, with such period starting from the date those Capital Assets are acquired by the Taxable Person;” and since Article (45.1) of the Law of Value Added Tax, stipulates: “A fine not exceeding 50,000 riyals shall be imposed on any person who: 1. Fails to maintain tax invoices, books, records, and accounting documents for the period stipulated in the Regulations, and the fine shall be for each tax period;” Therefore, the Department satisfies to dismiss Plaintiff’s Case and uphold Defendant’s decision as to the conclusion it had in imposing the fine in question.

In light of the above grounds and in accordance with the provisions of the Common VAT Agreement of GCC States, the Law of Value Added Tax and its Implementing Regulations, and the Tax Dispute and Violation Committee Procedures, the Department, after deliberation, unanimously decided the following:

Decision

Dismiss Plaintiff’s Case.

This Decision was delivered in the presence of Both Parties in accordance with the provisions of Article (56) of Law of Civil Procedure. The Department has set thirty (30) days for receipt of a copy of this Decision, and it may be extended to another same period



as the Department deems appropriate. This Decision is deemed final and enforceable under Article (42) of Tax Dispute and Violation Committee Procedures.

May Allah's Blessings And Peace Be Upon Our Prophet Muhammad And His Family
And Companions.



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-123
Case No.: V-61151-2021

Key words:

Value Added Tax – Field Examination Fine – Failure to Present VAT Registration Certificate – Dismissal of Plaintiff's Case.

Abstract

Plaintiff ("Taxpayer") filed this Case moving to abolish Defendant's ("ZATCA") decision regarding the imposition of a field examination fine in the amount of (SAR 10,000), due to non-compliance with the requirements of the tax invoices, represented in failure to present VAT Registration Certificate, wherein the dispute lies in Plaintiff's request to cancel the fine in question.

The Department Found That:

The fine was imposed pursuant to the report of the field examination dated 05/04/2021 AD, which included the type of violation "Non-Compliance with Provisions of Law of Value Added Tax and Its Implementing Regulations."

The Department Decided To:

Dismiss Plaintiff's Case.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Article \(45.3\) of Law of Value Added Tax promulgated by Royal Decree No. \(M/113\) of 02/11/1438 AH](#)
- [Common VAT Agreement of GCC States, November 2016.](#)
- [Article \(8.8\) of the Implementing Regulations of Law of Value Added Tax issued by ZATCA "Previously GAZT" Board of Directors Decision No. \(3839\) of 14/12/1438 AH, corresponding 14/11/2016 AD](#)

Facts

Facts of the Case are summarized as follows: Mr., holder of National ID No., in his capacity as the Legal Representative of Company, C.R. No.; has filed a statement of claim objecting to the decision issued by Zakat, Tax, and Customs Authority ("ZATCA"/ "Defendant") regarding the imposition of a field examination fine in the amount of (SAR 10,000), due to non-compliance with the requirements of the tax invoices, represented in failure to present VAT Registration Certificate, and requested abolishment of Defendant's decision.

Having presented the statement of claim to Defendant, it submitted a Reply that included the following:

"1. On 05/04/2021 AD, Defendant's representatives visited Plaintiff's premises during the field examination to ensure the proper application of the Law of Value Added Tax and its Implementing Regulations. After inspection, Defendant's representatives found that



Plaintiff violated the requirements of the simplified invoice set forth in Article (8.8) of the Implementing Regulations of the Law of Value Added Tax, which stipulates: “The resident Taxable Person, who is registered with the Authority shall provide the registration certificate in its headquarters and branches as it shall be visible to the public.”

2. Having verified Plaintiff violation of the provisions of the Law of Value Added Tax and its Implementing Regulations as stated above, Defendant fined Plaintiff an amount of (SAR 10,000) in accordance with Article (45.3) of the Law of Value Added Tax, which stipulates: “A fine not exceeding 50,000 riyals shall be imposed on any person who:; 3. Violates any other provision of the Law or the Regulations.” Defendant concluded by requesting uphold of its decision and dismissal of Plaintiff’s Case for the stated grounds, while reserving its right to present further responses and clarifications before the closure of pleadings.” Plaintiff submitted a Replication that included the following:

“Plaintiff would like to clarify that when Defendant’s representative visited the Plaintiff’s premises, the janitor had removed the printout on which the TIN was written from the showroom’s facade for daily hygiene and then he returned it again as customary in all our showrooms. In addition, Plaintiff tried to explain that matter to Defendant’s representative as an honest mistake by the janitor, noting that the TIN is written on- all invoices issued by Plaintiff to all customers with no intention from Plaintiff of hiding thereof at all. Moreover, Defendant has never detected a violation of this kind being committed by Plaintiff, as it adheres to the laws and regulations and does not violate them. Therefore, Plaintiff asks the Department to cancel the violation in question.

On Tuesday, 18/01/2022 AD, the Department held its session via video conference in accordance with the procedures for remote video litigation to consider the Case filed by Plaintiff against Defendant, wherein Mr., holder of National ID No., appeared in his capacity as Plaintiff’s Attorney, under POA No.; and Mr., holder of National ID No., appeared in his capacity as Defendant’s “ZATCA” Representative, by virtue of Authorization No., dated .../.../..., issued by ZATCA’s Deputy Governor for Legal Affairs and Compliance. Having asked Plaintiff regarding the Case, he maintained the statements contained in the statement of claim previously submitted to General Secretariat of Tax Committees. Having asked Defendant’s Representative regarding his response, he maintained the statements contained in the Reply previously submitted to General Secretariat of Tax Committees. Having asked Parties hereto whether they had further statements, they were satisfied with their earlier submissions. Therefore, the Department decided to adjourn the hearing for deliberation in preparation for delivering a decision.

Grounds

Having taken cognizance of the case papers and after due examination of its documents, and having taken cognizance of the Law of Value Added Tax promulgated by Royal Decree No. (M/113) of 02/11/1438 AH, as amended, and its Implementing Regulations issued by ZATCA “Previously GAZT” Board of Directors Decision No. (3839) of 14/12/1438 AH, as amended, the Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. (26040) of 11/06/1441 AH, and the Common VAT Agreement of GCC States, as well as other relevant laws and regulations, the Department has decided to consider the Case.

In Form: Since Plaintiff filed the Case to abolish Defendant’s decision regarding the imposition of a field examination fine, represented in failure to present VAT Registration Certificate; and since this dispute is a Tax dispute, it then falls within the jurisdiction of the Committee for Determination of Income Tax Violations and Disputes under Royal Decree No. (26040) of 21/04/1441 AH; and since the Case was filed with a party having capacity and within the prescribed statutory period, it is then accepted in form.



On Merits: Having taken cognizance of the case papers and documents and granted parties thereto sufficient time to present all arguments and documents, the Department found that the dispute lies in Plaintiff's objection to Defendant's decision regarding the imposition of a fine for failure to present VAT Registration Certificate; and since the fine in question was imposed pursuant to the report of the field examination dated 05/04/2021 AD, which included the type of violation "Non-Compliance with Provisions of Law of Value Added Tax and Its Implementing Regulations;" and since Plaintiff has acknowledged in its Replication that the VAT Certificate was removed for the purpose of daily hygiene and that it was an honest mistake by the janitor, which indicates that Plaintiff is in violation of the provisions of Article (8.8) of the Implementing Regulations of the Law of Value Added Tax, which stipulates: ""The resident Taxable Person, who is registered with the Authority shall provide the registration certificate in its headquarters and branches as it shall be visible to the public;" and since Article (45.1) of the Law of Value Added Tax, stipulates: "A fine not exceeding 50,000 riyals shall be imposed on any person who: 1. Fails to maintain tax invoices, books, records, and accounting documents for the period stipulated in the Regulations, and the fine shall be for each tax period;" Therefore, the Department satisfies to dismiss Plaintiff's Case and uphold Defendant's decision as to the conclusion it had in imposing the fine in question.

In light of the above grounds and in accordance with the provisions of the Common VAT Agreement of GCC States, the Law of Value Added Tax and its Implementing Regulations, and the Tax Dispute and Violation Committee Procedures, the Department, after deliberation, unanimously decided the following:

Decision

Dismiss Plaintiff's Case.

This Decision was delivered in the presence of Both Parties. The Department has set thirty (30) days for receipt of a copy of this Decision, and it may be extended to another same period as the Department deems appropriate. This Decision is deemed final and enforceable under Article (42) of Tax Dispute and Violation Committee Procedures.

May Allah's Blessings And Peace Be Upon Our Prophet Muhammad And His Family
And Companions.

(The Decision is deemed final and imperative by the lapse of the objection period under Article (40) of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and Disputes
First Department to Adjudicate of Value Added Tax Violations and
Disputes
In Dammam

Decision No.: VD-2022-124
Case No.: V-62804-2021

Key words:

Value Added Tax – Taxable Local Sales at Basic Rate – Late Payment Fine – Fine for Submission of Incorrect Tax Return – Real Estate Supply – Keep of Tax Invoices – Dismissal of Plaintiff's Case.

Abstract

Plaintiff ("Taxpayer") filed this Case moving to abolish Defendant's ("ZATCA") decision regarding the VAT for the second quarter estimated at (SAR 3,000) related to the sale of a property and the fines resulting therefrom, represented in "Late Payment Fine" and "Fine for Submission of Incorrect Tax Return."

The Department Found That:

As for item (Taxable Local Sales at Basic Rate), the dispute lies in Plaintiff's objection to the calculation of the sales amount higher than the declared amount of his sales. Also, Plaintiff has failed to provide any contracts or documents that would prove the validity and soundness of the Tax Return subject to objection.

The Department Decided To:

Dismiss Plaintiff's Case.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- Articles (2) and (43) of [Law of Value Added Tax promulgated by Royal Decree No. \(M/113\) of 02/11/1438 AH](#).
- Common VAT Agreement of GCC States, November 2016.
- Article (56.2) and Article (59.1) of [the Implementing Regulations of Law of Value Added Tax issued by ZATCA "Previously GAZT" Board of Directors Decision No. \(3839\) of 14/12/1438 AH, corresponding 14/11/2016 AD](#).

Facts

Facts of the Case are summarized as follows: Mr., holder of National ID No., has filed a statement of claim objecting to the decision issued by Zakat, Tax, and Customs Authority ("ZATCA"/ "Defendant") regarding the Final Reassessment for the Tax Period for the third quarter of 2019 AD and requested abolishment of Defendant's decision and the fines resulting therefrom. The statement of claim included the following: "With reference to the above subject, Plaintiff hereby objects to the VAT of the second quarter of the fiscal year 2019 AD, which was imposed by Defendant's Examination



Committee, as well as the fines resulting therefrom. The objection is summarized as follows:

1. Plaintiff objects to the VAT of the second quarter estimated at (SAR 3,000), as the actual sale of the property took place for an amount of (SAR 1,200,000) (One million and two hundred thousand Saudi riyals) according to the contract concluded with the Real Estate Development Fund (“REDF”), a copy of which is attached herein.

2. Plaintiff objects to all fines imposed estimated at (SAR 4,650) for the second quarter of the fiscal year 2019 AD, represented in “Late Payment Fine” and “Fine for Submission of Incorrect Tax Return.” Moreover, Plaintiff is willing to provide the Department, upon request, with any additional information, documents, or clarifications regarding the objection, as well as all supporting evidence.

Having presented the statement of claim to Defendant it submitted a Reply that included the following:

“First: Having reviewed Plaintiff’s statement of claim, Defendant found that it centers in items (Amendment of Taxable Sales at Basic Rate), (Late Payment Fine), and (Fine for Submission of Incorrect Tax Return), wherein Defendant stated the following:

- Defendant clarifies that it had exercised its statutory right to verify the accuracy of Tax Returns set forth in Article (50) of the Law of Value Added Tax, which stipulates: “Subject to the provisions of Article (28) of the Law, the Authority shall be in charge of the administration, examination, assessment, and collection of tax, and shall, to this end, take any measures it deems fit,” and in accordance with Article (26.1) thereof, which stipulates: “The Authority may conduct a tax assessment of a taxable person irrespective of the tax return filed by him,” as well as Article (64) of its Implementing Regulations, which stipulates: “The Authority may make an assessment of the VAT obligations of a Person in respect of one or more Tax Periods. The Authority shall provide notification to the Taxable Person when it issues such an assessment.” Accordingly, Defendant reassessed the tax periods in question.

- With regard to item (Amendment of Taxable Sales at Basic Rate), having reviewed the database shared with the Ministry of Justice and in effect under Article (56.2) of the Implementing Regulations of the Law of Value Added Tax, which stipulates: “In addition to the other rights provided for in this Article, the Authority may access relevant information held by third parties directly from those parties, including requiring direct access to records generally on an ongoing basis,” Defendant found that there is a real estate supply that has not been included in Plaintiff’s Tax Return. Accordingly, such supply is subject to VAT in accordance with Article (14) of the Implementing Regulations of the Law of Value Added Tax, which stipulates: “Without prejudice to the second article of the Law, for the purposes of applying the Agreement and the Law in the Kingdom, Tax is applied to all Taxable Supplies of Goods and services made in the Kingdom by a Taxable Person in the course of carrying out an economic activity, or received in the Kingdom by a Taxable Person in instances where the Reverse Charge Mechanism applies, as well as to Imports of Goods.”

- With regard to item (Late Payment Fine), having reviewed Plaintiff’s Tax Return, Defendant found that the Tax Return was invalid, which necessitated amending thereof and issuing the Final Assessment Notice, which resulted in a difference in the value of the tax due that was not paid within the statutory deadline. Accordingly, Defendant imposed a late payment fine for the months following the tax period in question, in accordance with the provisions of Article (43) of the Law of Value Added Tax, which stipulates: “Any person who fails to pay the tax due within the period specified by the Regulations shall be subject to a fine equal to 5% of the amount of the unpaid tax for each month or part thereof for which the tax is not paid.”



- With regard to item (Fine for Submission of Incorrect Tax Return), the fine was imposed after Defendant found that Plaintiff's Tax Return was invalid according to the Final Assessment Notice, pursuant to Article (42.1) of the Law of Value Added Tax, which stipulates: "Any person who files an incorrect tax return to the Authority, amends a tax return after being filed, or files any document with the Authority in relation to the tax due by him which results in an error in the calculation of the tax amount resulting in an amount that is less than the tax due shall be subject to a fine equal to 50% of the difference between the calculated tax and the tax due."

Second: Requests:

In light of the the above, Defendant requests that its decision be upheld and Plaintiff's Case be dismissed for the stated grounds, while reserving its right to present further responses and clarifications before the closure of pleadings."

On Monday, 24/01/2022 AD, the Department held its session via video conference in accordance with the procedures for remote video litigation. Having called parties to Case, Mr., holder of National ID No., appeared in his capacity as Defendant's ("ZATCA") Representative, by virtue of Authorization No., dated .../.../..., issued by ZATCA's Deputy Governor for Legal Affairs and Compliance. Neither Plaintiff nor his Representative appeared at the hearing, despite being legally served with its date the method of its convention. Having informed Defendant's Representative of Plaintiff's absence, he requested to proceed with the consideration of the Case and the issuance of a decision thereon. Having considered the Case and examined the documents submitted; and since the Case is ripe for adjudication; and in accordance with the Law of Value Added Tax, its Implementing Regulations, and the Tax Dispute and Violation Committee Procedures, the Department decided to adjourn the hearing for deliberation in preparation for delivering a decision.

Grounds

Having taken cognizance of the case papers and after due examination of its documents, and having taken cognizance of the Law of Value Added Tax promulgated by Royal Decree No. (M/113) of 02/11/1438 AH, as amended, and its Implementing Regulations issued by issued by ZATCA "Previously GAZT" Board of Directors Decision No. (3839) of 14/12/1438 AH, as amended, the Tax Dispute and Violation Committee Procedures promulgated by Royal Order No. (26040) of 11/06/1441 AH, and the Common VAT Agreement of GCC States, as well as other relevant laws and regulations, the Department has decided to consider the Case.

In Form: Since Plaintiff filed the Case to abolish Defendant's decision regarding the Final Reassessment Notice related to the third quarter of 2019 AD and the fines resulting therefrom; and since this dispute is a Tax dispute, it then falls within the jurisdiction of the Committee for Determination of Income Tax Violations and Disputes under Royal Decree No. (26040) of 21/04/1441 AH; and since the Case was filed with a party having capacity and within the prescribed statutory period, it is then accepted in form.

On Merits: Having taken cognizance of the case papers and documents and granted parties thereto sufficient time to present all arguments and documents, the Department found that the dispute lies in Plaintiff's requesting Defendant to reconsider the Final Reassessment Notice related to the the third quarter of 2019 AD and the fines resulting therefrom, which included the following:

1. Item (Taxable Local Sales at Basic Rate):

Since the dispute lies in Plaintiff's objection to the calculation of the sales amount higher than the declared amount of his sales; and since Plaintiff has stated in his statement of claim that he had supplied a property for an amount of (SAR 1,200,000) and submitted the document supporting the same, represented in the contract concluded with REDF;



however the Department did not find any contracts or documents that would prove the validity and soundness of the Tax Return subject to objection; and since Defendant, having reviewed the database shared with the Ministry of Justice, found that there is a real estate supply that has not been included in Plaintiff's Tax Return; and since Plaintiff is required to disclose his transactions, including exempt or zero transaction; and since Plaintiff has failed to provide sufficient documents supporting his claim; and since Article (2) of the Law of Value Added Tax stipulates: "Tax shall be imposed on the import and supply of goods and services in accordance with the provisions stipulated in the Agreement, the Law, and the Regulations;" and Article (56.2) of the Implementing Regulations of the Value Added Tax Law stipulates: "In addition to the other rights provided for in this Article, the Authority may access relevant information held by third parties directly from those parties, including requiring direct access to records generally on an ongoing basis;" Therefore, the Department satisfies to uphold Defendant's decision regarding the item in question.

2. Item (Late Payment Fine):

Since the dispute lies in the imposition of the fine in question resulting from Plaintiff's failure to pay the tax due; and since the fine in question resulted from Defendant's Reassessment of the tax period for the second quarter of 2019 AD, which indicates Plaintiff's violation of the provisions of Article (59.1) of the Implementing Regulations of the Value Added Tax Law; and since this Department has decided to uphold Defendant's decision regarding Item No. (1); and since it is established that "The Resulting Occurrence Shall Take The Same Effect;" Therefore, the Department satisfies to uphold Defendant's decision regarding the item in question.

3. Item (Fine for Submission of Incorrect Tax Return):

Since the dispute lies in the imposition of the fine in question resulting from Defendant's amendment to Plaintiff's Tax Returns for the disputed period; and since this Department has decided to uphold Defendant's decision regarding Item No. (1) since that amendment resulted from a Tax Return on which its tax due was calculated at a rate lower than the statutory tax due; and since it is established that "The Resulting Occurrence Shall Take The Same Effect;" Therefore, the Department satisfies to uphold Defendant's decision regarding the item in question.

In light of the above grounds and in accordance with the provisions of the Common VAT Agreement of GCC States, the Law of Value Added Tax and its Implementing Regulations, and the Tax Dispute and Violation Committee Procedures, the Department, after deliberation, unanimously decided the following:

Decision

Dismiss Plaintiff's Case.

This Decision was delivered in the presence of Both Parties. The Department has set thirty (30) days for receipt of a copy of this Decision, and it may be extended to another same period as the Department deems appropriate. This Decision is deemed final and enforceable under Article (42) of Tax Dispute and Violation Committee Procedures.

May Allah's Blessings And Peace Be Upon Our Prophet Muhammad And His Family
And Companions.

(The Decision is deemed final and imperative by the lapse of the objection period under Article (40) of Tax Dispute and Violation Committee Procedures).





Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-125
Case No.: V- 62723-2021

Key words:

Value Added Tax (VAT) – Field Detection Fine – Failure to Retain Records, Documents, and Tax Invoices – Cancel Defendant’s Decision Subject to the Case – Accept Plaintiff’s Case

Abstract

Taxpayer instituted this case moving to cancel ZATCA's decision regarding the field detection fine for failure to retain tax invoices, records, and documents, specifically concerning the fine for failure to retain tax invoices. The dispute centers on Taxpayer's request to the Defendant to cancel the fine for failure to retain tax invoices. The Department found that Taxpayer had attached numerous required documents as requested by ZATCA, which ZATCA did not challenge. Therefore, the Department ruled to accept the Taxpayer case and cancel the Defendant’s decision subject of the case.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- [Common VAT Agreement of GCC States, November 2016.](#)
- [Implementing Regulations of the Value Added Tax Law, issued by Resolution of the Board of Directors of the General Authority of Zakat and Income -formerly- No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH corresponding to 14 November 2016](#)

Facts

Facts of this case are as follows: Mr. ..., National ID No., in his capacity as authorized Representative of (...) Company, C.R. No., submitted a statement of claims, in which he stated: “The company objects to the imposition of a field detection fine, as it was mentioned in the text message received by us that a payment invoice was issued with number (...) for a field detection violation on 16/07/2018. We have not had any prior visits from any ZATCA’s Representatives. Additionally, we retain all our invoices and documents within the company's financial department in compliance with the provisions of the law, which stipulate that Taxpayer must keep their invoices for five years following the date of filing the tax return. Moreover, the Law of Commercial Books stipulates that accounting books and records shall be kept for ten years. We have not been visited by any of ZATCA's Representatives, nor have we been requested to provide any invoices or



documents. The value-added tax law was implemented in our company as of 01/01/2018. Based on the foregoing, we kindly request that you reconsider the aforementioned field detection fine and cancel the fine amount issued by ZATCA, and kindly finalize our tax status, in light of what we have stated above”.

Having presented the statement of claim to Defendant, it responded as follows: "On 16/07/2018, ZATCA's Representatives visited the Plaintiff's location during a field detection to verify the application of the provisions of the Value Added Tax Law and its Implementing Regulations. Upon questioning the Plaintiff's Attorney about the records, documents, and tax invoices, he stated that they were not retained, which is a violation of Article (66.1) of the Implementing Regulations of the VAT Law, which states, "The invoices, books, records and accounting documents required to be maintained by a Taxable Person in accordance with the Law and these Regulations shall be kept for a minimum period of six (6) years from the end of the Tax Period to which they relate." After verifying the Plaintiff's violation of the provisions of the VAT Law and its Implementing Regulations, as explained above, by virtue of decision no. (...), ZATCA imposed a fine of SAR (10,000) on the Plaintiff, based on the first paragraph of Article Forty-Five of the VAT Law, which states, "A fine not exceeding SAR (50,000) fifty thousand riyals shall be imposed on any person who: 1. has not kept Tax Invoices, books, records and accounting documents for the period set out in the Regulations and the fine shall be per Tax Period Based on the foregoing, ZATCA requestes the Esteemed Committee to dismiss the case and uphold ZATCA's procedures subject of the case. Additionally, ZATCA reserves the right to provide further replies and clarifications until closing of pleadings.

On Monday, 24/01/2021, a session was held according to the remote video litigation procedures, where the Defendant attended. However, the Plaintiff's Attorney did not attend despite being notified of the session date and its remote format. The Defendant's Representative, (.....), holder of National ID No., in his capacity as ZATCA's Representative by Authorization Letter No. (.....), dated (...), issued by Deput Governor for Legal Affairs. Given the Plaintiff's absence, the Defendant requested to proceed with the case and issue a decision. Having considered the Case and examined the documents submitted; and since the Case is ripe for adjudication; and in accordance with the Law of Value Added Tax, its Implementing Regulations, and the Tax Dispute and Violation Committee Procedures, the Department decided to adjourn the hearing for deliberation in preparation for delivering a decision.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Decree No. (26040) dated 11/06/1441 AH. the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since the Plaintiff filed its case to request to cancel ZATCA's decision regarding the fine for non-retention of tax invoices, and since this dispute is a tax dispute, it is considered one of the disputes falling within the jurisdiction of the Committee for Determination of Tax Violation Committee Disputes, pursuant to Royal Order No. (26040) dated 21/04/1441 AH and given that the Case was filed with a person of legal capacity and within the prescribed statutory period, the case is to be accepted in form.



On Merits: Upon the Department's review of the case documents and the responses of both parties, it becomes clear that the dispute centers on the Plaintiff's request to the Defendant to cancel the fine for failure to retain tax invoices. The field detection report indicates a failure to enable ZATCA's employees to review the invoices and documents. However, upon reviewing the attached additional information request notices, it is evident that the Plaintiff submitted numerous required documents, including bank statements, the establishment's account with social insurance, an Excel file with account movements, an output and input report, and ticket sales, which demonstrates its retention of accounting records and documents as well as ZATCA's requirements. As ZATCA did not challenge the validity of this, the Department decides to accept the Plaintiff's Case and cancel the Defendant's decision subject of the case.

Based on the above grounds, and based on the Common VAT Agreement, VAT Law and its Implementing Regulations, and the Tax Dispute and Violation Committee Procedures, and after deliberation, the Department unanimously decided to:

Decision

Accepting Plaintiff's claim and annulling the Defendant's decision subject to the case.

The decision was made in the presence of both parties, and the Department has allocated thirty days for receipt of decision copy. The Department may extend this period by an additional thirty days if necessary, according to Article (42) of Tax Dispute and Violation Committee Procedures, this decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-127
Case No.: V-59034-2021

Key words:

Value Added Tax (VAT) - Field Detection Fine - Failure to Retain Tax Invoices - Due to Non-Compliance with Tax Invoice Requirements - Case Dismissed

Abstract

Taxpayer instituted this case moving to cancel ZATCA's decision regarding the field detection fine for non-compliance with tax invoice requirements amounting to SAR (10,000). As the case file lacks any evidence to contradict what was recorded and directed to Taxpayer by ZATCA, the Case is without evidence and a mere claim without proof. Therefore, the Department ruled to dismiss Taxpayer's Case.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 11/02/1438 AH](#)
- [Common VAT Agreement of GCC States, November 2016.](#)
- [The Implementing Regulations of the Value Added Tax Law issued by the decision of the Board of Directors of the \(former\) General Authority of Zakat and Income - No. \(3839\) of 14/12/1438 AH corresponding to 14/11/2016 AD](#)

Facts

The facts of this case are summed up as follows: (....) Company, C.R. No.(...), represented by (....), National ID No. (...), in her capacity as Plaintiff Company's Deputy Director, submitted a statement of claim, which included an objection to the Defendant's decision regarding the imposition of a field detection fine for non-compliance with tax invoice requirements, amounting to SAR (10,000), due to failure to retain tax invoices, and requests cancellation of the fine.

Having presented the statement of claim to Defendant, it responded as follows: First: In from: 1. Regarding Field Detection Fine No. (...): Whereas Article (49) of Value Added Tax Law stipulates: "Any person against whom a fine decision is issued may appeal such decision as per Tax Dispute and Violation Committee Procedures" Article (3) of the Rules for the Functioning of the Committees for the Resolution of Tax Violations and Disputes states that: "The Authority's decision becomes final and not subject to appeal before any other entity in the following cases:" 1. If a Taxpayer does not object to the decision within 60 days from the date of notification thereof" Given that ZATCA's decision to impose the aforementioned fine was issued on 05/07/2020 and the Plaintiff did not appeal before



ZATCA within the period specified under the Law and referred to above, ZATCA's decision has become final and not disputed before any other entity.

2. Regarding Field Detection Fine No. (...): Paragraph (2) of Article (3) of the Rules for the Functioning of the Committees for the Resolution of Tax Violations and Disputes states that: "The Authority's decision becomes final and not subject to appeal before any other entity in the following cases: If a taxpayer does not file a lawsuit before the dispute committee or does not request referral of the objection to the internal committee for settlement within 30 days from the date of notification of GAZT's decision denying said objection". and given that the automatic cancellation notice of the Plaintiff's objection was issued on (11/05/2021), while the Plaintiff registered their Case with the General Secretariat on 13/07/2021, making the difference in days between the date of ZATCA's decision rejecting the objection and the date of registering the case more than (30) days, the impugned decision becomes final by the lapse of time and not subject to appeal.

Second: On Merits: Regarding Field Detection Fine No. (...): 1. On 04/01/2021, ZATCA's Representatives visited the Plaintiff's site during a field detection to verify the application of the VAT Law and its Implementing Regulations. It was found that the Plaintiff did not retain the records, documents, and tax invoices, which is a violation of the provisions of Article (66.1) of the Implementing Regulations of the VAT Law, which states: "The invoices, books, records and accounting documents required to be maintained by a Taxable Person in accordance with the Law and these Regulations shall be kept for a minimum period of six (6) years from the end of the Tax Period to which they relate". 2. Having verified that the Plaintiff has violated the VAT Law and its Implementing Regulations as stated above, ZATCA imposed a fine of SAR 10,000 based on Article (45.1) of the VAT Law, which states: "A fine not exceeding fifty thousand (50,000) riyals shall be imposed on any person that: 1. has not kept Tax Invoices, books, records and accounting documents for the period set out in the Regulations and the fine shall be per Tax Period". The Defendant's Representative concluded his memorandum by requesting Case inadmissibility in form, and dismissing the Case on merits. End of Reply.

On Sunday, 16/01/2022, a session was held in accordance with remote litigation procedures, with Defendant present. The Plaintiff failed to attend despite being notified of session's date and virtual format, nor did they provide any excuse for their absence. Defendant's Representative (...) was present holder of National ID No., in his capacity as ZATCA's Representative by Authorization Letter No. (...) dated (...) issued by Deput Governor for Legal Affairs. Given the Plaintiff's absence, the Defendant requested to proceed with the case and issue a decision. Therefore, the Department decided to adjourn the session for deliberation and issue a decision.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Decree No. (26040) dated 11/06/1441 AH. the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since the Plaintiff filed its case to request to cancel ZATCA's decision regarding the imposition of a field detection fine for non-compliance with the tax invoice requirements, and since this dispute is a tax dispute, it is considered one of the disputes falling within the jurisdiction of the Committee for Determination of Tax Violation Disputes, pursuant to Royal Order No. (26040) dated 21/04/1441 AH and given that the



Case was filed with a person of legal capacity and within the prescribed statutory period, the case is to be accepted in form.

On Merits: Upon the Department's examination of the case documents and the responses of both parties, after granting them sufficient time to present and submit their respective cases, and since the case file is devoid of anything indicating otherwise than what was recorded and directed to them by ZATCA, the Case is without evidence and merely a claim without proof, which necessitates a ruling to dismiss it, and this is what the Department decides.

In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

To dismiss the Plaintiff's case.

This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-128
Case No.: V-61171-2021

Key words:

Value Added Tax (VAT) - Field Detection Fine – Fine for Not Stating Prices Inclusive of Tax – Simplified Invoice Requirements – Violation of Provisions of Value Added Tax Law and its Implementing Regulations – Case Dismissed.

Abstract

Taxpayer instituted this case moving to cancel ZATCA's decision regarding the field detection fine for not stating prices inclusive of tax in the amount of SAR (10,000), specifically concerning the fine for not stating prices inclusive of tax, where the dispute centers on the Taxpayer's request for a ruling to cancel the fine for not stating prices inclusive of tax. It became clear to the Department that the imposition of the fine on the Taxpayer was based on the field detection report dated 09/06/2021, which includes that the invoices found with the Taxpayer did not contain prices inclusive of tax. Conclusion: The case is dismissed.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 11/02/1438 AH](#)
- [Common VAT Agreement of GCC States, November 2016.](#)
- [The Implementing Regulations of the Value Added Tax Law issued by the decision of the Board of Directors of the \(former\) General Authority of Zakat and Income - No. \(3839\) of 14/12/1438 AH corresponding to 14/11/2016 AD](#)

Facts

Facts of the Case are summed up as follows, Mr., ID No. (...), in his capacity as Owner of (...) Establishment, CR. No. (...), submitted a statement of claim that included his objection to the Defendant's (ZATCA's) decision, regarding the field detection imposed fine (not stating prices inclusive of tax) in the amount of SAR(10,000), and requested cancellation of the Defendant's decision.

Having presented the statement of claim to Defendant, it responded as follows: On 09/06/2021, ZATCA's Representatives visited the Plaintiff's site and examined the simplified invoices they provided after receiving a report that the Plaintiff was violating the application of the provisions of the VAT Law and its Implementing Regulations. After the inspection, it was found that they violated the provisions stipulated in Article (2) of the VAT Law, which states: "Tax shall be imposed on the import and supply of Goods and



Services in accordance with the provisions stipulated in the Agreement, the Law and the Regulations,” and the requirements of the simplified invoices stipulated in Article (53.8) of the Implementing Regulations of the VAT Law, which states: "A simplified tax invoice must include the following details:.... E) the Tax payable or a statement that the Consideration is inclusive of Tax in respect of the Supply of the Goods or services”. (Attached) 2- and after verifying the Plaintiff's violation of the provisions of the VAT Law and its Implementing Regulations, as explained above, ZATCA imposed a fine of SAR (10,000) on the Plaintiff pursuant to Decision No. (...) dated (.....) Based on Article (45.3) of the VAT Law, which states: "A fine not exceeding fifty thousand (50,000) riyals shall be imposed Person that: 3. violates any other provision of the Law or the Regulations.” Based on the above, ZATCA requests the Honorable Committee to dismiss the case and uphold ZATCA's action in question. ZATCA also reserves the right to provide further responses and clarifications before pleadings closure.

On Tuesday, 18/01/2021, the session was held in accordance with remote litigation procedures. (...) was present, holder of National ID No., in his capacity as Plaintiff's representative under PoA No. (...), as well as Defendant's representative (...), holder of National ID No., in his capacity as ZATCA's Representative by Authorization Letter No. (...), dated (.....) issued by Deputy Governor for Legal Affairs. Having asked Plaintiff about his case, he responded that he admits what is mentioned in his statement of claim submitted to General Secretariat of Zakat, Tax and Customs Committees and confirms all facts contained therein. Having asked Defendant's representative about his reply to Plaintiff claims, he maintained his answers contained in his reply deposited in case file. Having asked the parties to the case if they had any other statements, they decided to suffice with their earlier submissions. Therefore, the Department decided that parties to the Case should temporarily leave the virtual room for deliberation and adjudication.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Decree No. (26040) dated 11/06/1441 AH. the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since the Plaintiff filed its case to request to cancel ZATCA's decision regarding the fine for not stating prices inclusive of tax, and since this dispute is a tax dispute, it is considered one of the disputes falling within the jurisdiction of the Committee for Determination of Tax Violation Disputes, pursuant to Royal Order No. (26040) dated 21/04/1441 AH and given that the Case was filed with a person of legal capacity and within the prescribed statutory period, the case is to be accepted in form.

On Merits: Upon the Department's examination of the case documents and the responses of both parties, it becomes clear that the dispute centers on the Plaintiff's request for a ruling to cancel the fine for not stating prices inclusive of tax, and since the imposition of the fine on the Plaintiff was based on the field detection report dated 09/06/2021, which includes that the invoices found with the Plaintiff did not contain prices inclusive of tax, and since the Defendant submitted invoice no. (...) and invoice no. (...) issued by the Plaintiff, which show that the prices did not include tax, and since the Plaintiff did not provide evidence to the contrary, and since the sales include fuel and others, and the invoices did not include a reference to the tax rate, which is what the field detection report



confirmed, the Department concludes that the Defendant's action in imposing the fine is valid.

In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

To dismiss Plaintiff case.

The decision was made in the presence of both parties, and the Department has allocated thirty days for receipt of decision copy. The Department may extend this period by an additional thirty days if necessary, according to Article (42) of Tax Dispute and Violation Committee Procedures, this decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-130
Case No.: V-62822-2021

Key words:

Value Added Tax (VAT) – Field Detection Fine – Supply of Goods or Services – Non-Collection of Value Added Tax - Violation of Provisions of Value Added Tax Law and its Implementing Regulations – Case Accepted.

Abstract

The Taxpayer instituted this case moving to cancel ZATCA's decision regarding the field detection fine for non-collection of VAT in the amount of SAR (10,000), specifically concerning the fine for non-collection of VAT, where the dispute centers on the Taxpayer's request to the Defendant to cancel the fine for non-collection of VAT. It became clear to the Department that the violation was not issued until after a long period without providing a reasonable reason, which denies the Taxpayer the opportunity to defend itself due to the length of the period. Therefore, the Department ruled to accept the Case.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 11/02/1438 AH](#)
- [Common VAT Agreement of GCC States, November 2016.](#)
- [The Implementing Regulations of the Value Added Tax Law issued by the decision of the Board of Directors of the \(former\) General Authority of Zakat and Income - No. \(3839\) of 14/12/1438 AH corresponding to 14/11/2016 AD](#)

Facts

Facts of the Case are summed up as follows, Mr., ID No. (...), in his capacity as Owner of (...) Establishment, CR. No. (...), submitted a statement of claim that included his objection to the Defendant's (ZATCA's) decision, regarding the field detection imposed fine (non-collection of VAT) in the amount of SAR(10,000), and requested cancellation of the Defendant's decision.

Having presented the statement of claim to Defendant, it responded as follows: "On 26/08/2021, ZATCA's Representatives visited the Plaintiff's site and examined the simplified invoices provided by the Plaintiff during the field detection to verify proper application of the provision of the VAT Law and its Implementing Regulations. After the inspection, it was found that they violated the provisions stipulated in Article (2.2) of the VAT Law, which states: "2. The tax shall be applied at a basic rate of (0%) of the value of



the supply or import, not for there is a provision for exemption or the imposition of a zero rate - based on the provisions of the Law and the Regulations - on the supply itself,” and the requirements of the simplified invoices stipulated in Article (53.8) of the Implementing Regulations of the VAT Law- which states: "A simplified tax invoice must include the following details:.... E) the Tax payable or a statement that the Consideration is inclusive of Tax in respect of the Supply of the Goods or services”. The invoices did not include the amount of tax payable at the rate prescribed by law. Having verified that the Plaintiff has violated the VAT Law and its Implementing Regulations as stated above as per Decision No. (...), ZATCA imposed a fine of SAR (10,000) based on Article (45.3) of the VAT Law, which states: "A fine not exceeding fifty thousand (50,000) riyals shall be imposed on any person that: 3. violates any other provision of the Law or the Regulations". Based on the foregoing, ZATCA requests the Esteemed Committee to dismiss the case and uphold ZATCA's procedures subject of the case. Additionally, ZATCA reserves the right to provide further replies and clarifications until closing of pleadings.

On Monday, 24/01/2022, the hearing was held remotely in accordance with virtual litigation procedures. The Defendant was present, while the Plaintiff did not attend despite being duly notified of the session's date and format. Defendant's representative, (...), holder of National ID No., in his capacity as ZATCA's Representative by Authorization Letter No. (...), dated (.....) issued by Deput Governor for Legal Affairs. Given the Plaintiff's absence, the Defendant requested to proceed with the case and issue a decision. Having considered the Case and examined the documents submitted; and since the Case is ripe for adjudication; and in accordance with the Law of Value Added Tax, its Implementing Regulations, and the Tax Dispute and Violation Committee Procedures, the Department decided to adjourn the hearing for deliberation in preparation for delivering a decision.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Decree No. (26040) dated 11/06/1441 AH. the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since the Plaintiff filed its case to request to cancel ZATCA's decision regarding the fine for non-collection of VAT, and since this dispute is a tax dispute, it is considered one of the disputes falling within the jurisdiction of the Committee for Determination of Tax Violations and Disputes, pursuant to Royal Order No. (26040) dated 21/04/1441 AH and given that the Case was filed with a person of legal capacity and within the prescribed statutory period, the Department ruled to accept the Case in form.

On Merits: Upon the Department's examination of the case documents and the responses of both parties, it becomes clear that the dispute centers on the Plaintiff's demand for the Defendant to cancel the fine for non-collection of VAT, and since the Defendant did not attach the invoices that prove the validity of its action, and since the Plaintiff attached tax invoices containing tax collected from the end consumer, and given that the burden of proof lies with the Defendant (ZATCA), and since this coincided with the staleness of the violation, as the field Detection report was issued on 26/08/2021, and the violation was not issued until after a long period without providing a reasonable reason, which denies the Taxpayer the opportunity to defend themselves due to the length of the period, the



Department concludes that the Case shall be accepted and the fine in question shall be canceled.

In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

To accept the Plaintiff case and cancel the Defendant's decision subject of the case.

This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-146
Case No.: V-62707-2021

Key words:

Value Added Tax (VAT) – Field Detection Fine – Non-Collection of Value Added Tax - Violation of Provisions of Value Added Tax Law and its Implementing Regulations – Case Accepted.

Abstract

The Taxpayer instituted this case moving to cancel ZATCA's decision regarding the field detection fine for imposing a fine for non-collection of VAT in the amount of SAR (10,000), specifically concerning the fine for non-collection of VAT, where the dispute centers on the Taxpayer's request to cancel the fine for non-collection of VAT. It became clear to the Department that there is a long period separating the date of the control and the date of issuing the fine, which suggests that ZATCA was not convinced to impose the fine at the time or that it delayed its issuance. Therefore, the Department ruled to accept the Plaintiff case and cancel the Defendant's decision subject of the case.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 11/02/1438 AH](#)
- [Common VAT Agreement of GCC States, November 2016.](#)
- [The Implementing Regulations of the Value Added Tax Law issued by the decision of the Board of Directors of the \(former\) General Authority of Zakat and Income - No. \(3839\) of 14/12/1438 AH corresponding to 14/11/2016 AD](#)

Facts

Facts of the Case are summed up as follows, Mr., ID No. (...), in his capacity as Owner of (...) Establishment, CR. No. (...), submitted a statement of claim that included his objection to the Defendant's (ZATCA's) decision, regarding the field detection imposed fine (non-collection of VAT) in the amount of SAR(10,000), and requested cancellation of the Defendant's decision.

Having presented the statement of claim to Defendant, it responded as follows: "On 28/02/2019, ZATCA's Representatives visited the Plaintiff's site and examined the simplified invoices provided by the Plaintiff during the field detection to ensure the proper application of the provisions of the VAT Law and its Implementing Regulations. After the inspection, it was found that they violated the provisions stipulated in the first paragraph of Article Twenty-Five of the Common VAT Agreement for the GCC States, which states, "1- The tax shall be applied at a basic rate of 0% of the value of the supply or import unless



there is a provision for exemption or the imposition of a zero rate on the supply itself in this Agreement." Also, Article (2) of the VAT Law states: "Tax shall be imposed on the import and supply of Goods and Services in accordance with the provisions stipulated in the Agreement, the Law and the Regulations," and the requirements of the simplified invoices stipulated in Article (53.8) of the Implementing Regulations of the VAT Law, which states: "A simplified tax invoice must include the following details:.... e). The tax due or a statement indicating that the total amount includes tax concerning the supply of goods or services. It was found by ZATCA's employees that the invoices did not include the amount of tax payable at the rate prescribed by law. After verifying the Plaintiff's violation of the provisions of the VAT Law and its Implementing Regulations as outlined above, ZATCA imposed a fine of SAR (10,000) on the Plaintiff under ZATCA's Decision No. (...) dated (.....) based on Article (45.3) of the Value Added Tax Law, which states: "A fine not exceeding fifty thousand (50,000) riyals shall be imposed on any Person that: 3. violates any other provision of the Law or the Regulations". Based on the above, ZATCA requested the Honorable Committee to dismiss the case for the grounds stated above and uphold ZATCA procedures subject of the case. Also, ZATCA reserves the right to provide further replies and clarifications until closing of pleadings.

On Monday, 24/01/2022, the hearing was held remotely in accordance with virtual litigation procedures. The Defendant was present, while the Plaintiff did not attend despite being duly notified of the session's date and format. Defendant's representative, (...), holder of National ID No., in his capacity as ZATCA's Representative by Authorization Letter No. (...), dated (.....) issued by Deputy Governor for Legal Affairs. Given the Plaintiff's absence, the Defendant requested to proceed with the case and issue a decision. Having considered the Case and examined the documents submitted; and since the Case is ripe for adjudication; and in accordance with the Law of Value Added Tax, its Implementing Regulations, and the Tax Dispute and Violation Committee Procedures, the Department decided to adjourn the hearing for deliberation in preparation for delivering a decision.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Decree No. (26040) dated 11/06/1441 AH. the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since the Plaintiff filed its case to request to cancel ZATCA's decision regarding the fine for non-collection of VAT, and since this dispute is a tax dispute, it is considered one of the disputes falling within the jurisdiction of the Committee for Determination of Tax Violations and Disputes, pursuant to Royal Order No. (26040) dated 21/04/1441 AH and given that the Case was filed with a person of legal capacity and within the prescribed statutory period, the Department ruled to accept the Case in form.

On Merits: "Upon the Department's examination of the case documents and responses of both parties, it becomes clear that the dispute centers on the Plaintiff's request to cancel the fine for non-collection of VAT. It became clear that the date of recording the violation was 28/02/2019, while the fine decision was not issued until about two years later, and since there is a long period separating the date of recording the violation and the date of issuing the fine, which suggests that ZATCA was not convinced to impose the fine at the



time or that it delayed its issuance. The purpose of imposing the fine is to notify the person on whom it was imposed at the time of the transgression or shortcoming he committed, and since this is absent, then imposing it after a long period is a deviation by the administration from the intended purpose, as it also denies the Taxpayer the opportunity to present their evidence at the time, which makes its decision unworthy of confirmation, and since the Defendant did not attach the field detection report nor the invoices related to the violation, the Department decides that the Defendant's action in imposing the fine is invalid.

In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

To accept the Plaintiff case and cancel the Defendant's decision subject of the case. This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-196
Case No.: V-47554-2021

Key words:

Value Added Tax (VAT) – Reassessment – Local Purchases Subject to Basic Rate – Late Payment Fine - Decision Cancellation

Abstract

Taxpayer instituted this case moving to cancel ZATCA's decision regarding the final assessment notice for Q4 2019, and the fines resulting from the reassessment, specifically concerning the item (local purchases subject to the basic rate). Taxpayer objects to the Defendant's amendment of the tax return. The Department found that the Defendant failed to provide documents to prove the validity of its procedure, which leads the Department to conclude that the final assessment notice issued by the Defendant is incorrect. Regarding the item (late payment fine), Taxpayer objects to the imposition of a late payment fine resulting from the final assessment notice. As the Department established with regard to the first item that the Defendant's procedure was incorrect, related items shall have the same force and effect. Therefore, the Department decided that the procedure is incorrect and the Defendant's decision is cancelled.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- [Common VAT Agreement of GCC States, November 2016.](#)
- [Implementing Regulations of the Value Added Tax Law, issued by Resolution of the Board of Directors of the General Authority of Zakat and Income -formerly- No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH corresponding to 14 November 2016](#)

Facts

Facts of this case are as follows: Mr. ..., National ID No., in his capacity as Owner of ... Establishment, C.R. No., submitted a statement of claims, in which he stated: "With reference to ZATCA's rejection notice issued from "Erad" website for the objection request of (...) Establishment, reference no. (...), issued on 28/05/1442 AH, corresponding to 12/01/2021, which resulted in a due Value Added Tax of SAR 7055.93 for Q4 2019 and an amount due of SAR 6143.53 for Q3 2020, as well as a related late payment fine for Q4 2019. Based on the foregoing, we hereby inform you of our objection to the aforementioned assessment, pursuant to the decision issued by Royal Decree No. (M/113) dated 12/11/1438 AH, which grants the right to object to the assessment or decisions



issued by ZATCA. First: The Objection In Form: The establishment submitted its objection to the amendment letter issued by ZATCA on 03/09/2020 within the statutory period, as stipulated in the Implementing Regulations for Zakat Collection (60) sixty days. The Establishment also issued a bank guarantee for the full amount specified by ZATCA and submitted the objection within the permissible period. Therefore, the objection is considered acceptable in form. Second: The Objection On Merits: ZATCA issued its final assessment for Q4 2019 on 03/09/2020, and the Establishment submitted its objection within the permissible period on 01/11/2020. This objection is based on ZATCA's calculation of the complete rejection of all purchase invoices for goods and establishment expenses without accounting for any of them. This resulted in their complete non-inclusion and the sole accounting of sales invoices, which led to fines due to the tax difference resulting from the non-calculation of input tax. This is the subject of the objection. Third: Requests: We hope that the General Secretariat will consider this objection, as there is no justification for ZATCA to issue this assessment and disregard all input tax. Therefore, we request the General Secretariat of Tax Committees to take the following actions: Obligate ZATCA to account for purchase invoices and establishment expenses (input tax). Make the settlement, including the guarantee amount, accordingly.

Having presented the statement of claim to Defendant, it responded as follows: "Whereas Article (49) of Value Added Tax Law stipulates: "Any person against whom a penalty decision is issued may appeal such decision as per Tax Dispute and Violation Committee Procedures". Upon reviewing the statement of claim, the Defendant responded by citing Paragraph (3.2) of the Tax Dispute and Violation Committee Procedures, states that "ZATCA's decisions shall be final and unappealable before any other agency in the following cases: (2) If a taxpayer does not file a lawsuit before the dispute committee or does not request referral of the objection to the internal committee for settlement within 30 days from the date of notification of GAZT's decision denying said objection....." Given that the objection rejection notice was issued on (01/2021), and the date of the Plaintiff's grievance before the adjudication committee is (15/04/2021), the difference in the number of days between the notice date and the grievance date is more than thirty days. Accordingly, with the expiration of the statutory period for the formal acceptance of the grievance, the challenged decision becomes immune due to the lapse of time and is not subject to appeal. Based on the foregoing, ZATCA requests the Department to rule on the inadmissibility of the Case in form.

On Tuesday, 25/12/2022, a session was held in accordance with Procedures for Remote Litigation. Both parties wished to proceed with the case. The Plaintiff (...) appeared, Representing himself/herself, with National ID No. (...), and by Defendant's representative (...), holder of National ID No., in his capacity as ZATCA's Representative by Authorization Letter No. (...), dated 08/03/1442 AH, issued by Deputy Governor for Legal Affairs. Having asked the Plaintiff about the case, he maintained the statement of claim submitted to General Secretariat of Zakat, Tax and Customs Committees, and having asked the Defendant's Representative about his reply to Plaintiff's claims, he maintained his answers contained in his Reply. Having asked the parties to the case if they had any other statements, they decided to suffice with their earlier submissions. Accordingly, the Department decided to adjourn the hearing of the case for study and to issue the decision in the session dated Tuesday, 25/01/2022, at 1:00 PM. At the scheduled time, the session was convened in accordance with remote litigation procedures. The parties expressed their desire to proceed with the case, with the participation of the Plaintiff (...), Representing himself/herself, with National ID No. (...), and by Defendant's representative (...), holder of National ID No., in his capacity as ZATCA's Representative by Authorization Letter No. (...), dated 08/03/1442 AH issued by the Deputy Governor for Legal Affairs. When asked about his claim, the Plaintiff responded



as per the statement of claim submitted to the General Secretariat of Tax Committees. When both parties were asked if they had anything to add, they decided to suffice with what had been previously submitted. Therefore, the Department decided that parties to the Case should temporarily leave the virtual room for deliberation and adjudication.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Decree No. (26040) dated 11/06/1441 AH, the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In form, since the Plaintiff instituted his case moving to cancel the Defendant's decision regarding the final assessment notice for Q4 2019, and given that this dispute is a tax dispute, it is considered a dispute falling within the jurisdiction of the Tax Dispute and Violation Committee pursuant to Royal Decree No. (26040) dated 21/04/1441 AH, and considering that the case was filed by a person with capacity, and within the period prescribed by law, it is then accepted in form.

On Merits: Upon the Department 's review of the case documents and the responses of both parties, it becomes clear that the dispute centers on the Plaintiff's request for the Defendant to reconsider the final assessment notice for Q4 2019. The Department has found the following:

First: Local Purchases Subject to Basic Rate: It is evident that the Plaintiff objects to the Defendant's amendment of the tax return for Q4 2019 and its exclusion of the period's purchases. The Defendant was requested to provide the Department with a substantive response memorandum on 20/09/2021 and 13/10/2021, but the Defendant failed to do so. Additionally, the Defendant did not provide any documents to prove the validity of its procedure, which leads the Department to conclude that the final assessment notice issued by the Defendant is incorrect.

Second: Late Payment Fine: It is evident that the Plaintiff objects to the imposition of a late payment fine resulting from the final assessment notice for the tax period related to Q4 2019. Since the Department established in the first item that the Defendant's procedure was incorrect, and since that the resulting occurrence shall take the same effect, the Department decides that the procedure for imposing the fine is incorrect.

In light of the foregoing and according to provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

To accept the Plaintiff's case and cancel the Defendant's decision subject of the case. This decision was issued in presence of both parties. Department set thirty (30) days from date for receiving copy of decision, and may extend delivery date for another (30) days. Parties hereto may request to appeal decision within thirty (30) days from the day following the date specified for its receipt, whereafter it shall become final and enforceable.



Appellate

The Appellate Committee decided to uphold the appealed decision.



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-197
Case No.: V-54321-2021

Key words:

Value Added Tax (VAT) – Field Detection Fine – Failure to Retain Tax Invoices – Violation of Provisions of Value Added Tax Law and its Implementing Regulations – Case Dismissed

Abstract

Taxpayer instituted this case moving to cancel ZATCA's decision regarding the field detection fine for failure to retain tax invoices in the amount of SAR (10,000), and concerning the fine for failure to retain tax invoices. The dispute centers on the Taxpayer's request to the Defendant to cancel the fine for failure to retain tax invoices. It became clear to the Department that the imposition of the fine on the taxpayer came under the field detection report dated 12/01/2021, which includes the Taxpayer's failure to retain value added tax invoices. Conclusion: The case is dismissed.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- Paragraph (1), Article (45) of [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- [Common VAT Agreement of GCC States, November 2016.](#)
- [The Implementing Regulations of the Value Added Tax Law issued by the decision of the Board of Directors of the \(former\) General Authority of Zakat and Income - No. \(3839\) of 14/12/1438 AH corresponding to 14/11/2016 AD](#)

Facts

The facts of this case are summed up in that Mr....., ID No. (...), in his capacity as Owner of (...) Establishment, CR. No. (...), submitted a statement of claim that included his objection to the Defendant's (ZATCA's) decision, regarding the field detection fine (failure to maintain tax invoices) in the amount of SAR (10,000), and requests cancellation of the Defendant's decision.

Having presented the statement of claim to Defendant, it responded as follows: "First: On merits: By reviewing the Plaintiff's statement of claim, it is evident that it is limited to objecting to ZATCA's decision regarding the imposition of field detection fine no. (...) On 12/10/2021, ZATCA's Representatives visited the Plaintiff's site to verify compliance with provisions of the VAT Law and its Implementing Regulations. It was found that the Plaintiff did not maintain records, documents, and tax invoices, as per Article (66.1) of the Implementing Regulations of the Value Added Tax, which states, "The invoices, books, records and accounting documents required to be maintained by a Taxable Person in



accordance with the Law and these Regulations shall be kept for a minimum period of six (6) years from the end of the Tax Period to which they relate" After verifying the Plaintiff's violation of the provisions of the VAT Law and its Implementing Regulations, as stated above, ZATCA imposed a fine of SAR (10,000), based on Article (45.1) of the VAT Law, which states, "A fine not exceeding fifty thousand (50,000) riyals shall be imposed on any Person that: 1. has not kept Tax Invoices, books, records and accounting documents for the period set out in the Regulations and the fine shall be per Tax Period Second: Requests: Based on the foregoing, ZATCA requests the esteemed Committee to rule on dismissal of Plaintiff's Case for the stated grounds and uphold of its decision in question, while preserving its right to present further responses and clarifications until closure of reviewing.

On Tuesday, 25/01/2022, the hearing was held remotely in accordance with virtual litigation procedures. The Defendant was present, while the Plaintiff did not attend despite being duly notified of the session's date and format. Defendant's representative, (...), holder of National ID No., in his capacity as ZATCA's Representative by Authorization Letter No. (...), dated (.....) issued by Deput Governor for Legal Affairs. Given the Plaintiff's absence, the Defendant requested to proceed with the case and issue a decision. Having considered the Case and examined the documents submitted; and since the Case is ripe for adjudication; and in accordance with the Law of Value Added Tax, its Implementing Regulations, and the Tax Dispute and Violation Committee Procedures, the Department decided to adjourn the hearing for deliberation in preparation for delivering a decision.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Decree No. (26040) dated 11/06/1441 AH. the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: In form, since the Plaintiff seeks to annul Defendant's decision regarding the imposition of a fine for failure to retain tax invoices, and given that this dispute falls within the category of tax disputes, it is within the jurisdiction of the Committee for the Resolution of Tax Violations and Disputes, as per Royal Order No. (26040) dated 21/04/1441 AH. Furthermore, as the case was filed by a party with legal standing and within the legally prescribed period, the Department deems it admissible in form.

On Merits: Upon the Department's review of the case documents and the responses of both parties, it becomes clear that the dispute centers on the Plaintiff's request for the Defendant to cancel the fine for failure to maintain tax invoices. The imposition of the fine on the Plaintiff was based on the field detection report dated 12/01/2021, which indicated the Plaintiff's failure to maintain VAT invoices. The Plaintiff's argument that they keeps the tax invoices in the office and not with the station worker, without providing evidence to support this, is not considered a productive defense in the Case. Furthermore, the Plaintiff did not provide any other documents or invoices proving their compliance with retaining invoices before the date of the fine issuance. Article (45.1) of the Value Added Tax Law states: A fine not exceeding fifty thousand (50,000) riyals shall be imposed on any Person that: 1. has not kept Tax Invoices, books, records and accounting



documents for the period set out in the Regulations and the fine shall be per 'Tax Period.' Therefore, the Department decides to dismiss the Plaintiff's claim.

In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

To dismiss the Plaintiff's case.

This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-198
Case No.: V-44520-2021

Key words:

Value Added Tax (VAT) – Obliging the Defendant to Pay Value Added Tax – Real Estate Sale – Case Accepted

Abstract

The Plaintiff requests to obligate the Defendant regarding the payment of Value Added Tax resulting from the sale of real estate to the Defendant, in the amount of SAR (29,800). Regarding the payment of VAT, the dispute lies in the Plaintiff's request for the Defendant to pay the VAT resulting from the sale of the real estate to the Defendant. The Department found that the tax is a real estate transaction tax and its amount was paid before the completion of the sale through the system. Therefore, the Department ruled to accept the Plaintiff's Case, and obligate the Defendant to pay the Plaintiff the amount of SAR (29,800).

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- [Common VAT Agreement of GCC States, November 2016.](#)
- [Article \(3\) of the Implementing Regulations of Value Added Tax Law issued by resolution of the Board of Directors of ZATCA No. \(3839\) dated 14 Dhul-Hijjah 1438 AH \(corresponding to November 14, 2016\).](#)

Facts

Facts of the Case are summarized as follows: Mr., holder of National ID No., in his own capacity, has filed a statement of claim requesting to oblige Defendant (..... Bank, C.R. No.) to pay the VAT resulting from the sale of the property to Defendant in the amount of (SAR 29,800).

Having presented the statement of claim to Defendant, it submitted a Reply that included the following: "First: Preamble: On 25/03/2021 AD, Plaintiff (Mr., holder of National ID No.) filed a statement of claim with the General Secretariat of Zakat, Tax and Customs Committees against (.....), which can be summarized as follows: 1. (...) referred to as "External Supplier." 2. (...) 2. (..... Bank) referred to as the "Financier" or "First Buyer." 3. (...) referred to as "Assignee". Value of the sold property is SAR 595,356, and VAT is 90,890,307 (which is the amount in dispute). The Ministry of Housing refunded the VAT to the bank pursuant to Royal Order No. (A/86) issued on 19/04/1439 AH, relating to the sale of the first residence to a Saudi citizen. Defendant hereby clarifies



the reasons and grounds on which it based its response to Plaintiff's claim. Second: Subjective Defenses: The bank financed the property through an Islamic Murabaha financing structure, which complies with Sharia law and is approved by the Saudi Central Bank. Defendant also explains below the structure of Murabaha Financing and the tax treatment applied by the Bank to the basic supply in accordance with the Law of Value Added Tax and its Implementing Regulations in force within the Kingdom, as the Final Beneficiary informs the Financier that he wishes to acquire (full) ownership of an asset (in this case the asset in question is the property) and requests assistance to finance the purchase. The Final Beneficiary recommends the Financier to purchase the property from an External Supplier (the property owner). Then, the Final Beneficiary purchases the asset from the Financier. The Taxpayer requests a mortgage on the property to ensure the Assignee's desire to obtain the property and accept their obligations. The Taxpayer acquires the property from the external supplier in its own name (at the request of the Assignee), at which point the Taxpayer becomes the actual owner of the property. The External Supplier issues an invoice to the Financier in its name. The Taxpayer pays the external supplier for the supplied property. Once the Financier becomes the owner of the property, it subsequently enters into an agreement with the Final Beneficiary, whereby it supplies the property to the Final Beneficiary for consideration. Ownership of the property is registered directly in the name of the Assignee (end beneficiary) by the external supplier, and the property is mortgaged to the Taxpayer in the same title. The consideration is paid in installments over an agreed period. The fees charged by the Financier include the cost price of the property (the original amount), an agreed-upon profit, or any other possible fees.

Tax Treatment of Murabaha Financing Transactions: According to the Value Added Tax legislation and guidelines issued by ZATCA, the following tax calculation applies to Murabaha financing structure mentioned in Sections 1 and 2 above: Since the property owner (external supplier) sold the unit to the bank (taxpayer) and transferred ownership to it, the responsibility for imposing and calculating value added tax in this case falls on the property owner (first sale).

2. After transferring the ownership of the property from the property owner to the Financier as a supply of goods, such supply is subject to VAT. At that time, the property owner did not provide the bank with any tax documents in accordance with Article (53) of the Implementing Regulations of the VAT Law.

3. The subsequent supply of the property (The Second Sale) by the Financier to the Final Beneficiary is also considered a taxable supply of goods.

4. Accordingly, the Financier is required to calculate the VAT on the supply of the property at the full basic amount due on all installments (including the principal amount and other taxable services that are included in the periodic installments) , i.e., the Financier is required to issue a valid tax invoice addressed to the Final Beneficiary.

5/ The profit amount included in the installments is exempt from VAT in accordance with Article (29) of the Implementing Regulations of the VAT Law. We also refer to Article (40) of the Common VAT Agreement of the GCC States, which stipulates, "1. The Taxable Person is obligated to pay Tax due on taxable supplies of Goods and Services to the Competent Tax administration in the Member State in which the place of supply is located. Any Person that states a Tax amount on any invoices issued by him becomes obligated to pay this Tax amount to the Competent Tax Administration in the Member State in which the place of supply is located". The above article confirms that the property owner is responsible for calculating and paying VAT to ZATCA in the Kingdom of Saudi Arabia.

Sale of the first residence to a Saudi citizen, according to Royal Order No. (A/86) issued on 19/04/1439 AH, relating to the sale of the first residence to Saudi citizens, stipulates that the Kingdom of Saudi Arabia has agreed to bear the cost of VAT for Saudi citizens when they purchase their first residence, up to a maximum of SAR 850,000. This exemption is managed in cooperation with the Ministry of Housing. Below are the steps for charging VAT on sales



of a first home for Saudi citizens: 1. The Final Beneficiary (i.e. the person wishing to purchase the property) requests a exemption certificate of “VAT for First-Time Home Buyers” from the Ministry of Housing’s website. 2. The Final Beneficiary submits the certificate to the Bank (in this case, the Bank is the owner and seller/supplier of the property). 3. The Bank applies the first home tax exemption to the second sale (i.e., the sale between the Bank and the Final Beneficiary) from the Ministry of Housing. 4. The Bank collects the VAT (up to an amount of “SAR 42,500”) from the Ministry of Housing. 5. The Bank collects any excess VAT (imposed on amounts exceeding “SAR 850,000”) from the Final Beneficiary. 6. As mentioned earlier, the Bank issues a valid tax invoice in the name of the Final Beneficiary and states the amount of tax imposed on the full sale amount in the Tax Return for the relevant period. The tax invoice and Tax Return must include the full VAT on the sale value. These amounts are not settled with the tax collected by the Ministry of Housing. In light of the above, Defendant affirms that the tax treatment applied by the Bank on the sale of the property under Murabaha Financing, as well as the tax treatment related to the first home for Saudi citizens, are consistent with the Law of Value Added Tax, its Implementing Regulations, and GAZT’s (ZATCA) guidelines in force within the Kingdom. Also, the above-mentioned tax treatment applied by the Bank has also been confirmed in the guidelines issued by the Authority including the “Islamic Financing Guidelines” and the “Real Estate Financing Guidelines.”

Third: Abstract The property owner or external supplier working in the field of selling real estate units must be fully aware of the Murabaha Financing Structure as well as the tax treatment applicable to such supply in accordance with the Law of Value Added Tax and its Implementing Regulations in force within the Kingdom. Furthermore, the Value Added Tax Law and the guidelines issued by ZATCA, as well as the guidance manuals issued by ZATCA during 2017 and 2018, have clearly and comprehensively explained the tax calculation of real estate supplies and real estate financing. Therefore, the bank should not bear the burden of the external suppliers' ignorance regarding tax calculation and non-compliance. Moreover, the Bank cannot, under current VAT Legislations and the Royal Order, violate the tax provisions which in this case are very clear and unambiguous. Doing so may expose the Bank to the risk of non-compliance with the laws, regulations, and guidelines of ZATCA and the Ministry of Housing. Eventually, it is the responsibility of the external supplier to have full knowledge of the Kingdom’s VAT legislation and requirements, the Murabaha Financing Structure, and the financial consequences resulting therefrom. In addition to the foregoing, we would like to confirm to the esteemed committee that the external supplier (property owner) is fully aware that the first sale of the property will be made to the bank in accordance with Form No. 6 entitled "Price Offer and Acceptance" concluded and signed by the external supplier with the bank, which legally requires the external supplier to issue an invoice in the name of the bank for the sale transaction. Based on the foregoing, the bank requests the esteemed committee to rule on the dismissal of the Case, while the bank reserves the right to submit further responses and clarifications, as the bank is constantly striving to comply with the VAT Law in the Kingdom of Saudi Arabia and its Implementing Regulations, and to fully cooperate with the requirements of the Secretariat. On Tuesday, 25/01/2022, the session was held in accordance with remote litigation procedures. The Plaintiff (...) was present, On Tuesday, 25/01/2022 AD, the Department held its first session via video conference in accordance with the procedures for remote video litigation and pursuant to the provisions of Article (15.2) of Tax Dispute and Violation Committee Procedures promulgated by Royal Decree No. (26040) of 21/04/1441 AH, wherein Plaintiff (Mr., holder of National ID No.) appeared in his own capacity. Neither Defendant nor its Representative appeared at the hearing. Having asked Plaintiff regarding the Case, he maintained the statements contained in the statement of claim submitted to the General Secretariat of Zakat, Tax, and Customs



Committees. Since the Case is ripe for adjudication, the Department decided to adjourn the hearing for deliberation in preparation for delivering a decision.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Decree No. (26040) dated 11/06/1441 AH, the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since the Plaintiff seeks to compel the Defendant (... Bank...) to pay the Value Added Tax (VAT) resulting from the sale of a property, and given that this dispute falls within the category of tax disputes, it is within the jurisdiction of the Committee for the Resolution of Tax Violations and Disputes, as per Royal Order No. (26040) dated 21/04/1441 AH. Furthermore, as the case was filed by a party with legal standing and within the legally prescribed period, the Department deems it admissible in form.

On Merits: Upon the Department's examination of the case documents and responses of both parties, it becomes clear that the dispute centers on the Plaintiff's request that the Defendant pay the VAT resulting from the sale of the property to the Defendant. It was proven to the Department that the property was supplied to the Defendant and sold to their client through real estate financing, as in deed no. (...) dated 28/02/1442 AH, corresponding to 15/10/2020 AD; and since Defendant has imposed the VAT on Plaintiff as in the attached invoice No., dated (...). Any legal disposition transferring ownership of the property or its possession for the purpose of ownership or ownership of its usufruct requires the imposition of a tax at a rate of (5%) of the total value of the real estate disposition, regardless of its condition, form, or use at the time of disposition, except as exempted according to Royal Order (A/84) or Article (3) of the Implementing Regulations of the Real Estate Transactions Tax. The Defendant's client is not obligated to pay the real estate transactions tax due to their exemption based on Royal Order (A/84) and their exemption from paying the tax. It was proven to the Department that the tax is a real estate transactions tax and that its amount was paid before the completion of the sale through the law. Therefore, the Department decides to accept the Case and obligate the Defendant to pay the Plaintiff an amount of SAR (29,800).

In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

Accept the Plaintiff's Case, and obligate the Defendant to pay the Plaintiff the amount of SAR (29,800).

This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day



following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-199
Case No.: V-49633-2021

Key words:

Value Added Tax (VAT) – Field Detection Fine – Lack of TIN Number - Violation of Provisions of Value Added Tax Law and its Implementing Regulations – Case Dismissed

Abstract

Taxpayer instituted this case moving to cancel ZATCA's decision regarding the field detection fine for absence of a TIN Number, amounting to SAR (10,000). The dispute centers on Taxpayer's request to the Defendant to cancel the fine for absence of the TIN Number. It became clear to the Department that the fine imposed on the Taxpayer relates to absence of the TIN Number. Conclusion: The case is dismissed.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- Paragraph (1) of Article (23), Paragraph (3) of Article (45) of [the Value Added Tax \(VAT\) Law, issued pursuant to Royal Decree No. \(M/113\), dated 02/11/1438 AH.](#)
- [Common VAT Agreement of GCC States, November 2016.](#)
- Paragraph (8) of Article (53) of [the Implementing Regulations of Value Added Tax Law issued by the General Authority of Zakat and Tax \(formerly\) Board of Directors Decision No. \(3839\) dated Dhu Al-Hijjah 14, 1438 AH corresponding to November 14, 2016](#)

Facts

Facts of the Case are summed up as follows, Mr., ID No. (...), in his capacity as Owner of (...) Establishment, CR. No. (...), submitted a statement of claim that included his objection to the Defendant's (ZATCA's) decision, regarding the field detection imposed fine (lack of TIN Number) in the amount of SAR (10,000), and requested cancellation of the Defendant's decision.

Having presented the statement of claim to Defendant, it responded as follows: "First: In form: The Plaintiff aims in its claim to cancel the fine for not displaying the tax certificate. ZATCA states that it did not impose this fine on the Plaintiff, and based on that, the Plaintiff's action of objecting and filing a case against ZATCA is incorrect due to lack of a legal basis. Second: On Merits: Regarding the fine for absence of a TIN Number, which is included in the Plaintiff's documents: On 2020/12/09, ZATCA's Representatives visited the Plaintiff's site and examined the simplified invoices provided by the Plaintiff during the field detection to verify proper application of the provision of the VAT Law and its Implementing Regulations. After the inspection, it was found that they violated the



requirements of the simplified invoice stipulated in paragraph (b) of Article (53.8) of the Implementing Regulations of the Value Added Tax Law, which states: "B) Name, address and Tax Identification Number of the Supplier,". Having verified that the Plaintiff has violated the VAT Law and its Implementing Regulations as stated above, ZATCA imposed a fine of SAR 10,000 based on Article (45.3) of the VAT Law, which states: "A fine not exceeding fifty thousand (50,000) riyals shall be imposed on any person that: 3. violates any other provision of the Law or the Regulations". Third. Requests: Based on the foregoing, ZATCA requests the Honorable Committee to rule that the case is inadmissible in form for the reasons explained above. ZATCA also reserves the right to provide further replies and clarifications before the closing of pleadings. Based on the above, ZATCA requested the Honorable Committee to rule secondarily to dismiss the case for the grounds stated above and uphold ZATCA procedures subject of the case. Also, ZATCA reserves the right to provide further replies and clarifications until closing of pleadings.

On Tuesday, 25/01/2022, the hearing was held remotely in accordance with virtual litigation procedures. The Defendant was present, while the Plaintiff did not attend despite being duly notified of the session's date and format. Defendant's representative, (...), holder of National ID No., in his capacity as ZATCA's Representative by Authorization Letter No. (...), dated (.....) issued by Deput Governor for Legal Affairs. Given the Plaintiff's absence, the Defendant requested to proceed with the case and issue a decision. After reviewing the case and the submitted documents, and considering that the case is ready for adjudication, and after ending the participant's involvement for the purpose of deliberation, and in accordance with the provisions of the Law, its Implementing Regulations, and the Tax Dispute and Violation Committee Procedures, the Department decided to close deliberation for issuance of decision.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Decree No. (26040) dated 11/06/1441 AH. the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since the Plaintiff filed its case to request cancellation of the Defendant's decision regarding the imposition of a fine for absence of a TIN Number, and since this dispute is a tax dispute, it is considered one of the disputes falling within the jurisdiction of the Tax Dispute and Violation Committee pursuant to Royal Order No. (26040) dated 21/04/1441 AH, and since the Case was submitted by a party with standing, and within the legally prescribed period, it is necessary to accept the Case in form.

On Merits: Upon the Department's examination of the case documents and the responses of both parties, it becomes clear that the dispute centers on the Plaintiff's request for the Defendant to cancel the fine for absence of a TIN Number, while the Defendant denied imposing a fine for not displaying the certificate and stated that the fine imposed on the Plaintiff relates to absence of the TIN Number, and since the Plaintiff did not dispute the validity of this, nor did he deny in his statement of claim the Defendant's visit and confirmation of non-compliance, justifying that the establishment is newly established. Article (23.1) of the VAT Law, related to tax invoices, stipulates: "The Regulations shall determine the following: The contents and form of Tax Invoices, and the time periods for the issuance thereof". Article (53.8) of the Implementing Regulations of the VAT Law,



related to tax invoices, stipulates: "A simplified tax invoice must include the following details:.... B) Name, address and Tax Identification Number of the Supplier". Additionally, Article (45.3) of the VAT Law stipulates that: "A fine not exceeding fifty thousand (50,000) SAR shall be imposed on anyone who: 3. violates any other provision of the Law or the Regulations". As such, the Department ruled to dismiss the Plaintiff's Case.

In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

To dismiss the Plaintiff's case.

This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

Appellate

The Appellate Committee decided to uphold the appealed decision.



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-152
Case No.: V-62196-2021

Key words:

Value Added Tax (VAT) - Field Detection Fine – Fine for Non-Collection of VAT - Supply of Goods or Services - Violation of Provisions of the VAT Law and its Implementing Regulations – Lawsuit Dismissed.

Abstract

The Taxpayer instituted this case moving to cancel ZATCA's decision regarding the field detection fine for non-collection of VAT in the amount of SAR (10,000), specifically concerning the fine for non-collection of VAT, where the dispute centers on the Taxpayer's request to the Defendant to cancel the fine for non-collection of VAT. It became clear to the Department that the Taxpayer did not prove otherwise than what was included in the field detection report, and did not provide evidence that would call for the cancellation of the fine imposition. Conclusion: The case is dismissed.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 11/02/1438 AH](#)
- [Common VAT Agreement of GCC States, November 2016.](#)
- Article (53.8/b) of [the Implementing Regulations of Value Added Tax Law, issued by Resolution No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH, corresponding to 14 November 2016 of the Board of Directors of ZATCA \(formerly GAZT\)](#)

Facts

Facts of the Case are summed up as follows, Mr., ID No. (...), in his capacity as Owner of (...) Establishment, CR. No. (...), submitted a statement of claim that included his objection to the Defendant's (ZATCA's) decision, regarding the field detection imposed fine (non-collection of VAT) in the amount of SAR(10,000), and requested cancellation of the Defendant's decision.

Having presented the statement of claim to Defendant, it responded as follows: On 03/03/2021, ZATCA's Representatives visited the Plaintiff's site and examined the simplified invoices provided by the Plaintiff (during the field detection to verify the proper application) of the VAT Law and its Implementing Regulations. After the inspection, it was found that they violated the requirements of the simplified invoice stipulated in Article (53.8) of the Implementing Regulations of the VAT Law, which states: "e- the Tax payable or a statement that the Consideration is inclusive of Tax in respect of the Supply of the



Goods or services”. Having verified that the Plaintiff has violated the VAT Law and its Implementing Regulations as stated above, ZATCA imposed a fine of SAR 10,000 based on Article (45.3) of the VAT Law, which states: "A fine not exceeding fifty thousand (50,000) riyals shall be imposed on any person that: 3. violates any other provision of the Law or the Regulations". ZATCA requests that the Case be dismissed and ZATCA's action in question be upheld. Additionally, ZATCA reserves the right to submit further responses and clarifications until before closure of pleadings.

On Tuesday, 18/01/2021, a session was held in accordance with Procedures for Remote Litigation. Both parties wished to proceed with the case. (...) appeared, holder of National ID No., in his capacity as Plaintiff's representative under PoA No. (...), as well as Defendant's representative (...), holder of National ID No., in his capacity as ZATCA's Representative by Authorization Letter No. (...), dated (...) issued by Deputy Governor for Legal Affairs. Having asked Plaintiff about his case, he responded that he admits what is mentioned in his statement of claim submitted to General Secretariat of Zakat, Tax and Customs Committees and confirms all facts contained therein. Having asked Defendant's representative about his reply to Plaintiff claims, he maintained his answers contained in his reply deposited in case file. Having asked the parties to the case if they had any other statements, they decided to suffice with their earlier submissions.

Therefore, the Department decided that parties to the Case should temporarily leave the virtual room for deliberation and adjudication.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Decree No. (26040) dated 11/06/1441 AH. the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since the Plaintiff filed its case to request to cancel ZATCA's decision regarding the fine for non-collection of VAT, and since this dispute is a tax dispute, it is considered one of the disputes falling within the jurisdiction of the Committee for Determination of Income Tax Violation Disputes, pursuant to Royal Order No. (26040) dated 21/04/1441 AH and given that the Case was filed with a person of legal capacity and within the prescribed statutory period, the Department ruled to accept the Case in form.

On Merits: Upon the Department 's review of the case documents and the responses of both parties, it becomes clear that the dispute centers on the Plaintiff's request the Defendant to cancel the fine for non-collection of VAT, and since the imposition of the fine on the Plaintiff was based on the field detection report dated 03/03/2021, which included in the details of the violation (non-collection of VAT Tax), and since the Plaintiff did not prove otherwise than what was included in the field detection report and did not provide evidence that would call for the cancellation of the fine imposition decision, and since it was proven that they violated the requirements of the simplified invoice stipulated in Article (53.8) of the Implementing Regulations of the VAT Law, which states, "the Tax payable or a statement that the Consideration is inclusive of Tax in respect of the Supply of the Goods or services", therefore, the Department decides to dismiss the Plaintiff's Case.



In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

To dismiss Plaintiff case.

This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-200
Case No.: V-63138-2021

Key words:

Value Added Tax (VAT) – Field Detection Fine – Collection of Tax Higher than Due -
Violation of Provisions of Value Added Tax Law and its Implementing Regulations – Case
Dismissed

Abstract

The Taxpayer instituted this case moving to cancel ZATCA's decision regarding the field detection fine for non-collection of VAT in the amount of SAR (10,000), specifically concerning the fine for non-collection of VAT, where the dispute centers on the Taxpayer's request to the Defendant to cancel the fine for collecting tax higher than due. It became clear to the Department, upon its review of the invoice submitted by the Defendant, that the Taxpayer calculated the VAT at a rate higher than (15%), and therefore the Taxpayer is considered to be in violation of tax calculation basis. Therefore, the Department ruled to dismiss Taxpayer's Case.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- Article (25.1) of the [Common VAT Agreement of the GCC States, November 2016](#).
- [Implementing Regulations of the Value Added Tax Law, issued by Resolution of the Board of Directors of the General Authority of Zakat and Income -formerly- No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH corresponding to 14 November 2016](#)

Facts

The facts of this case are summed up in that Mr....., ID No. (...), in his capacity as Owner of (...) Establishment, CR. No. (...), submitted a statement of claim that included his objection to the Defendant's (ZATCA's) decision, regarding the imposition of a field control fine (collection of tax higher than due) in the amount of SAR (10,000), and requests cancellation of the Defendant's decision.

Having presented the statement of claim to Defendant, it responded as follows: "First: In form: Date of issuance of ZATCA's decision is 28/06/2021, and date of escalation to the General Secretariat is 03/08/2021. Article (3.2) of the Tax Dispute and Violation Committee Procedures, states that "GAZT's decisions shall be final and unappealable before any other agency in the following cases: 2. If a taxpayer does not file a lawsuit before



the dispute committee or does not request referral of the objection to the internal committee for settlement within 30 days from the date of notification of GAZI's decision denying said objection....." Given that the objection rejection notice was issued on (28/06/2021), and the date of the Plaintiff's grievance before the adjudication committee is (03/08/2021), the difference in the number of days between the notice date and the grievance date is more than thirty days. Accordingly, with the expiration of the statutory period for the formal acceptance of the grievance, the challenged decision becomes immune due to the lapse of time and is not subject to appeal.

Second: On merits: On 03/03/2021, ZATCA's Representatives visited the Plaintiff's site and examined the simplified invoices provided by the Plaintiff during the field detection to verify proper application of the provision of the VAT Law and its Implementing Regulations. After the inspection, it was found that they violated the provisions stipulated in Article (2.2) of the VAT Law, which states: "The tax shall be applied at a basic rate of (15%) of the value of the supply or import, unless there is a provision for exemption or the imposition of a zero rate - based on the provisions of the Law and the Regulations - on the supply itself," and the requirements of the simplified invoices stipulated in Article (53.8) of the Implementing Regulations of the VAT Law, which states: "A simplified tax invoice must include the following details:.... E) the Tax payable or a statement that the Consideration is inclusive of Tax in respect of the Supply of the Goods or services". As the tax invoices issued to the end consumer included tax amounts at a rate higher than the rate stipulated by law (attached), and after verifying the Plaintiff's violation of the provisions of the VAT Law and its Implementing Regulations, as explained above, ZATCA imposed a fine of SAR (10,000) on the Plaintiff pursuant to Decision No. (...) ddated 06/04/2021, based on Article (45.3) of the VAT Law, which states: "A fine not exceeding fifty thousand (50,000) riyals shall be imposed on any Person that: 3. violates any other provision of the Law or the Regulations". Third: Requests: In form: Based on the above, ZATCA requests Honorable Committee to rule on the inadmissibility of the case. On merits alternatively, to rule to dismiss the case and uphold ZATCA's action in question. ZATCA reserves the right to submit further responses and clarifications until before closure of pleadings.

On Sunday, 30/01/2022, the session was held in accordance with remote litigation procedures. (...) was present, Representing himself/herself, with National ID No. (...), and by Defendant's representative (...), holder of National ID No., in his capacity as ZATCA's Representative by Authorization Letter No. (...), dated (.....) issued by Deputy Governor for Legal Affairs. Having asked Plaintiff about his case, he responded that he admits what is mentioned in his statement of claim submitted to General Secretariat of Zakat, Tax and Customs Committees and confirms all facts contained therein. Having asked Defendant's representative about his reply to Plaintiff claims, he maintained his answers contained in his reply deposited in case file. Having asked the parties to the case if they had any other statements, they decided to suffice with their earlier submissions. Therefore, the Department decided that parties to the Case should temporarily leave the virtual room for deliberation and adjudication.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by



Royal Decree No. (26040) dated 11/06/1441 AH. the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since the Plaintiff filed its case to request to cancel ZATCA's decision regarding the imposition of a fine for collecting tax higher than due, and since this dispute is a tax dispute, it is considered one of the disputes falling within the jurisdiction of the Committee for Determination of Income Tax Violation Disputes, pursuant to Royal Order No. (26040) dated 21/04/1441 AH and given that the Case was filed with a person of legal capacity and within the prescribed statutory period, the Department ruled to accept the Case in form.

On Merits: Upon the Department's examination of the case documents and the responses of both parties, it becomes clear that the dispute centers on the Plaintiff's request for the Defendant to cancel the fine for collecting tax higher than due, and since the imposition of the fine on the Plaintiff was based on the field detection report dated 03/03/2021, which included in the details of the violation that the Plaintiff calculates tax higher than due. The Plaintiff admitted his error in his statement of claim. Since, the Plaintiff's argument that the calculation of the tax increase resulted from human error is considered an unproductive argument in the case, and since it was proven to the Department, upon its review of invoice number (...) dated (...) submitted by the Defendant, that the Plaintiff calculated the VAT at a rate higher than (15%), and therefore the Plaintiff is considered to be in violation of the tax calculation basis in accordance with Article (25.1) of the Common VAT Agreement of the GCC States, which leads the Department to conclude the validity of dismissing the Case.

In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

To dismiss the Plaintiff's case.

This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

Appellate

The Appellate Committee decided to uphold the appealed decision.



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-201
Case No.: V-63405-2021

Key words:

Value Added Tax - Field Detection Fine - Absence of Establishment Address – Violation of Simplified Invoice Requirements - Case Dismissed.

Abstract

Taxpayer instituted this case moving to cancel ZATCA's decision regarding the field detection fine for absence of the establishment address in the tax invoice in the amount of SAR (10,000), specifically concerning the fine for absence of the establishment address, where the dispute centers on the Taxpayer's request to the Defendant to cancel the fine for absence of the establishment address. It became clear to the Department that the Taxpayer admitted the violation. Therefore, the Department ruled to dismiss Taxpayer's Case.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- [Common VAT Agreement of GCC States, November 2016.](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)
- [Implementing Regulations of the Income Tax Law promulgated by Minister of Finance Decision No. \(1535\) of 11/06/1425 AH](#)
- [Article \(53.8/b\) of the Implementing Regulations of VAT Law, issued by Resolution No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH, corresponding to 14 November 2016 of the Board of Directors of ZATCA \(formerly GAZT\).](#)

Facts

Facts of the Case are summed up as follows, Mr., ID No. (...), in his capacity as Owner of (...) Establishment, CR. No. (...), submitted a statement of claim that included his objection to the Defendant's (ZATCA's) decision, regarding the field detection imposed fine (Absence of established address) in the amount of SAR (10,000), and requested cancellation of the Defendant's decision.

Having presented the statement of claim to Defendant, it responded as follows: "First: On merits: 1. On 11/04/2021, ZATCA's Representatives visited the Plaintiff's site and examined the simplified invoices provided by the Plaintiff during the field detection to verify proper application of the provision of the VAT Law and its Implementing Regulations. After the inspection, it was found that they violated the requirements of the



simplified invoice stipulated in paragraph (b) of Article (53.8) of the Implementing Regulations of the Value Added Tax Law, which states: "B) Name, address and Tax Identification Number of the Supplier,". The invoices issued by the Plaintiff did not include the establishment address. After verifying the Plaintiff's violation of the provisions of the VAT Law and its Implementing Regulations, as explained above, ZATCA imposed a fine on the Plaintiff pursuant to Decision No. (...) dated 31/05/2021, at SAR (10,000), based on Article (45.3) of the VAT Law, which states: "A fine not exceeding fifty thousand (50,000) riyals shall be imposed on any Person that: 3. violates any other provision of the Law or the Regulations".

Second: Requests: On Merits: Based on the above, ZATCA requested the Honorable Committee to dismiss the case for the grounds stated above and uphold ZATCA procedures subject of the case. Also, ZATCA reserves the right to provide further replies and clarifications until closing of pleadings.

On Sunday, 30/01/2022, a session was held in accordance with remote litigation procedures, with Defendant present. The Plaintiff failed to attend despite being notified of session's date and virtual format, nor did they provide any excuse for their absence. Defendant's Representative (...) was present holder of National ID No., in his capacity as ZATCA's Representative by Authorization Letter No. (...), dated (...) issued by Deputy Governor for Legal Affairs. Given the Plaintiff's absence, the Defendant requested to proceed with the case and issue a decision. After reviewing the case details and submitted documents, and since the case was ready for adjudication, the Department closed the pleadings for deliberation. In accordance with the VAT Law, its Implementing Regulations, and the procedural rules governing tax dispute committees, the Department proceeded with issuing its decision.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Decree No. (26040) dated 11/06/1441 AH. the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since the Plaintiff filed its case to request to cancel ZATCA's decision regarding the imposition of a fine for absence of established address, and since this dispute is a tax dispute, it is considered one of the disputes falling within the jurisdiction of the Committee for Determination of Income Tax Violation Disputes, pursuant to Royal Order No. (26040) dated 21/04/1441 AH and given that the Case was filed with a person of legal capacity and within the prescribed statutory period, the Department ruled to accept the Case in form.

On Merits: Upon the Department's examination of the case documents and the responses of both parties, it becomes clear that the dispute centers on the Plaintiff's request for the Defendant to cancel the fine for absence of the establishment address, and since the Plaintiff admitted the violation, stating, "Omission of the address was not an intentional error, but rather a defect due to the contracted establishment," which is considered a violation of paragraph (b/8) of Article (53) of the Implementing Regulations of the VAT Law, and since the Plaintiff's argument regarding her submission of a request to add the address and that the support was delayed from the institution providing the electronic invoicing system is considered an unproductive argument in the case, the Department decides to uphold the validity of the Defendant's action regarding imposing the fine. In light of the foregoing and according to the provisions of the Common VAT Agreement



of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

To dismiss the Plaintiff's case.

The decision was made in the presence of both parties, and the Department has allocated thirty days for receipt of decision copy. The Department may extend this period by an additional thirty days if necessary, according to Article (42) of Tax Dispute and Violation Committee Procedures, this decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-202
Case No.: V-64835-2021

Key words:

Value Added Tax (VAT) – Field Detection Fine – Collection of Tax Higher than Due - Violation of Provisions of Value Added Tax Law and its Implementing Regulations – Case Accepted.

Abstract

The Taxpayer instituted this case moving to cancel ZATCA's decision regarding the field detection fine (collection of tax higher than due) in the amount of SAR (10,000), where the dispute centers on the Taxpayer's request to the Defendant to cancel the fine for collecting tax higher than due. It became clear to the Department that there is a long period separating the date of the control and the date of issuing the fine, which suggests that ZATCA was not convinced to impose the fine at the time or that it delayed its issuance. Therefore, the Department decided to accept the Case and cancel the Defendant's decision.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- [Common VAT Agreement of GCC States, November 2016.](#)
- [Implementing Regulations of the Value Added Tax Law, issued by Resolution of the Board of Directors of the General Authority of Zakat and Income -formerly- No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH corresponding to 14 November 2016](#)

Facts

The facts of this case are summed up in that Mr....., ID No. (...), in his capacity as Owner of (...) Establishment, CR. No. (...), submitted a statement of claim that included his objection to the Defendant's (ZATCA's) decision, regarding the imposition of a field control fine (collection of tax higher than due) in the amount of SAR (10,000), and requests cancellation of the Defendant's decision.

Having presented the statement of claim to Defendant, it responded as follows: "ZATCA's Representatives visited the Plaintiff's site and examined the simplified invoices provided by the Plaintiff after receiving a report that the Plaintiff was violating the provisions during the field detection to verify proper application of the provision of the VAT Law and its Implementing Regulations. After the inspection, it was found that they violated the provisions stipulated in Article (2.2) of the VAT Law, which states: "The tax shall be



applied at a basic rate of (15%) of the value of the supply or import, unless there is a provision for exemption or the imposition of a zero rate - based on the provisions of the Law and the Regulations - on the supply itself,” and the requirements of the simplified invoices stipulated in Article (53.8) of the Implementing Regulations of the VAT Law which states: "A simplified tax invoice must include the following details:.... The tax due or a statement indicating that the total amount includes tax concerning the supply of goods or services. The tax invoices issued to the end consumer included tax amounts at a rate lower than the rate prescribed by law. (Attached) 2. Having verified that the Plaintiff has violated the VAT Law and its Implementing Regulations as stated above, ZATCA imposed a fine of SAR 10,000 based on Article (45.3) of the VAT Law, which states: "A fine not exceeding fifty thousand (50,000) riyals shall be imposed on any person that: 3. violates any other provision of the Law or the Regulations" Second: Requests Based on the foregoing, ZATCA requests that the esteemed committee rule in favor of dismissing the Case for the reasons stated above and uphold the actions of ZATCA being sued. Moreover, ZATCA reserves the right to submit additional responses and clarifications prior to the closure of the pleadings.”

On Wednesday, 26/01/2022, the session was held in accordance with remote litigation procedures. The Plaintiff (....) was present, Representing himself/herself, with National ID No. (...), and by Defendant's representative (...), holder of National ID No., in his capacity as ZATCA's Representative by Authorization Letter No. (....), dated (.....) issued by Deputy Governor for Legal Affairs. Having asked Plaintiff about his case, he responded that he admits what is mentioned in his statement of claim submitted to General Secretariat of Zakat, Tax and Customs Committees and confirms all facts contained therein. Having asked Defendant's representative about his reply to Plaintiff claims, he maintained his answers contained in his reply deposited in case file. Having asked the parties to the case if they had any other statements, they decided to suffice with their earlier submissions. Therefore, the Department decided that parties to the Case should temporarily leave the virtual room for deliberation and adjudication.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Decree No. (26040) dated 11/06/1441 AH. the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since the Plaintiff filed its case to request to cancel ZATCA's decision regarding the imposition of a fine for collecting tax higher than due, and since this dispute is a tax dispute, it is considered one of the disputes falling within the jurisdiction of the Committee for Determination of Income Tax Violation Disputes, pursuant to Royal Order No. (26040) dated 21/04/1441 AH and given that the Case was filed with a person of legal capacity and within the prescribed statutory period, the Department ruled to accept the Case in form.

On Merits: "Upon the Department's examination of the case documents and responses of both parties, it becomes clear that the dispute centers on the Plaintiff's request to the Defendant to cancel the fine for collecting tax higher than due. Upon reviewing the date



of recording the violation, it was found to be 29/07/2018, while the fine decision was not issued until after a period of time, and since there is a long period separating the date of recording the violation and the date of issuing the fine, which suggests that ZATCA was not convinced to impose the fine at the time or that it delayed its issuance, and since the purpose of imposing the penalty is to notify the person on whom it was imposed at the time of the transgression or shortcoming he committed, and since this is absent, then imposing it after a long period is a deviation by the administration from the intended purpose, as it also denies the Taxpayer the opportunity to present their evidence at the time, which is what the Plaintiff maintained, which makes its decision unworthy of upholding.

In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

To accept the Plaintiff's case and cancel the Defendant's decision subject of the case. This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-204
Case No.: V-63111-2021

Key words:

Value Added Tax (VAT) – Final Assessment Notice – Local Sales Subject to Basic Rate – Local Purchases Subject to Basic Rate – Late Payment Fine – Declaration Error Fine – Case Dismissed.

Abstract

The Taxpayer instituted this case moving to cancel ZATCA's decision regarding the final assessment notice for 4Q 2020, concerning the item (local sales subject to basic rate). The dispute between the Taxpayer and the Defendant centers on the final assessment notice for the tax period. It became clear to the Department that the Taxpayer did not attach to the Department any supporting documents and evidence that prove the validity of his claim, which is considered a violation, and the item (local purchases subject to basic rate), where the dispute between the Taxpayer and the Defendant centers on the final assessment notice for the tax period. It became clear to the Department that the Taxpayer did not attach the supporting invoices to prove the validity of his claim. Conclusion: The case is dismissed.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- [Common VAT Agreement of GCC States, November 2016.](#)
- Article (56) of [the Implementing Regulations of Value Added Tax Law issued by resolution of the Board of Directors of ZATCA No. \(3839\) dated 14 Dhul-Hijjah 1438 AH \(corresponding to November 14, 2016\).](#)

Facts

Facts of the Case are summed up as follows, Mr., ID No. (...), in his capacity as Owner of (...) Establishment, CR. No. (...), submitted a statement of claim that included his request to cancel the decision of the Defendant (ZATCA), regarding the final assessment notice for the 4Q 2020, and requests cancellation of the Defendant's decision.

Having presented the statement of claim to Defendant, it responded as follows: “First: Article (49) of the VAT Law stipulates: “Any person against whom a fine decision is issued may appeal such decision as per Tax Dispute and Violation Committee Procedures” Article 2 of Tax Dispute and Violation Committee Procedures has also stated the following: “Any



person against whom a decision has been issued by GAZT may file an objection before it within 60 days from the date of notification thereof. GAZT shall decide on the objection within 90 days from the date of filing.....” The Plaintiff submitted his objection to the period (4Q 2020), but did not submit the formal requests for ZATCA to begin studying his objection and issuing the decision within the statutory periods. He was requested, during the submission of the objection, to provide the bank guarantee in accordance with the provisions of Article 65 of the Implementing Regulations of the VAT Law, but the Plaintiff did not fulfill the formal requirements, which resulted in automatic cancellation of the objection request on (26/07/2021), which proves that the Plaintiff did not comply with the formal procedures necessary to submit the objection.

2. Article (50) of the VAT Law stipulates: “Subject to the provisions of article (twenty-eight) of the Law, the Authority shall be responsible for the administration, examination, assessment and collection of Tax, and shall, in so doing, take such measures as it deems fit”. By reviewing the aforementioned Article, it becomes clear that ZATCA has the jurisdiction and discretionary power in this regard, and the legislator has authorized ZATCA to manage the tax pursuant to this Article. Among the procedures imposed by ZATCA in order to manage, collect, and assess the tax is what is stipulated in Article (64) of the Regulations, which states that ZATCA may request a guarantee from the Taxpayer (...), etc., and these cases of doubt are among the cases that ZATCA independently assesses according to its legal authority in this field, which has been delegated to it by the legislator. All cases of examination and reassessment of the tax are cases of doubt that resulted in the reassessment of the Taxpayer's tax position for the relevant period, which resulted in outstanding tax differences that the Taxpayer did not disclose. Therefore, the Taxpayer's request to object to that period, which resulted in tax differences, entails the emergence of ZATCA's right to place these dues under doubt and not to consider the objection until payment or the provision of the guarantee is made in order for it to be accepted in form and to ensure the seriousness of the objection. Consequently, the decision taken by ZATCA to request the guarantee is consistent with the law, and if the legislator had wanted to restrict ZATCA's powers, he would not have stipulated this phrase in the VAT Law.

Second: On Merits: First: Decision is presumed to be valid and sound, and whoever claims otherwise shall provide proof supporting his claims. Second: "In exercising its statutory right to verify the accuracy of declarations, as stipulated in Article (50) of the VAT Law, "Taking into account the provisions of Article (28) of the Law, ZATCA shall be responsible for managing, examining, assessing, and collecting the tax, and for this purpose, it may take any measures it deems appropriate. Furthermore, according to paragraph (1) of Article (26) of the VAT Law: 1. “The Authority may make a Tax assessment of a Taxable Person irrespective of a Tax Return filed by him”. "And Article (64) of the Implementing Regulations of the VAT Law states, "1- The Authority may issue an assessment of the Value Added Tax obligations of a taxable person for one or more tax periods, and the Authority must notify him of that assessment upon its issuance." ZATCA reassessed the tax period declaration in question. 1/ Regarding adjustment of the item for sales subject to tax at basic rate: It became clear to ZATCA, through examining the period in question, that the detailed statement of sales did not match the tax declaration, as it was evident that the sales statement was higher than the declaration. Accordingly, the submitted statement was adopted, and the difference was subjected to tax at the basic rate, considering it a taxable supply in accordance with Article (14) of the Implementing Regulations of the VAT Law, “Without prejudice to Article two of the Law, for the purposes of applying the Agreement and the Law in the Kingdom, the Tax is imposed on all Taxable Supplies of Goods and Services made by a Taxable Person in the Kingdom in the course of carrying on their Economic Activity or those received by a Taxable Person in the Kingdom”. 2/ Regarding adjustment of the item for purchases subject to tax at basic



rate: It became clear to ZATCA that there are invoices that violate the description of a valid tax invoice stipulated in Article (53) of the Implementing Regulations of the VAT Law, which negates the Plaintiff's right to deduction due to the non-fulfillment of the conditions stipulated in Article (48) of the Common VAT Agreement, which states, "1- For the purposes of exercising the right to deduction, the taxable person must possess the following documents: 1- The tax invoice obtained by him in application of the provisions of this Agreement," and paragraph (7) of Article (49) of the Implementing Regulations of the VAT Law, which states, "7- Input tax may not be deducted unless the taxable person has evidence that the amount of input tax paid or payable is in accordance with what is specified in Article Forty-Eight of the Agreement". 3/ With regard to the fine for error in submitting the declaration: The fine was imposed after it became clear to ZATCA that the declaration was incorrect according to the final assessment notice, based on paragraph (1) of Article (42) of the VAT Law, which states, "Any Person who files an incorrect Tax Return to GAZT, amends a Tax Return after filing or files any document with GAZT in relation to the Tax due by him which results in an error in the calculation of the Tax amount resulting in an amount that is less than the Tax due shall be liable to a fine equal to (50%) of the value of the difference between the calculated Tax and the Tax due". 4/ With regard to the late payment fine,

After reviewing Plaintiff's return for the contested period, Zakat found it inaccurate, necessitating an amendment to the return and issuance of a final assessment notice, which resulted in a discrepancy in the due tax amount, unpaid by the statutory deadline. Accordingly, a late payment fine was imposed for the months following the tax period under dispute, as previously explained, in accordance with Article (43) of the VAT Law, which states, "Any Person who fails to pay the Tax due during the period specified by the Regulations shall be liable to a fine equal to 5% of the value of the unpaid Tax for each month or part thereof for which the Tax has not been paid" Third: Requests: In form: ZATCA originally requests a ruling to dismiss the Case. On merits: Alternatively, to rule to dismiss the case and uphold ZATCA's action in question. ZATCA reserves the right to submit further responses and clarifications until before closure of pleadings."

On Sunday, 30/01/2022, a session was held in accordance with remote litigation procedures, with Defendant present. The Plaintiff failed to attend despite being notified of session's date and virtual format, nor did they provide any excuse for their absence. Defendant's Representative (...) was present holder of National ID No., in his capacity as ZATCA's Representative by Authorization Letter No. (...), dated (...) issued by Deput Governor for Legal Affairs. Given the Plaintiff's absence, the Defendant requested to proceed with the case and issue a decision.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Decree No. (26040) dated 11/06/1441 AH. the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: The Plaintiff instituted his case moving to cancel the Defendant's decision related the final assessment notice for period Q4 2020, and given that this dispute is a tax dispute, it is considered a dispute falling within the jurisdiction of the Tax Dispute and Violation Committee pursuant to Royal Decree No. (26040) dated 21/04/1441 AH, and considering



that the case was filed by a person with capacity, and within the period prescribed by law, it is then accepted in form.

On Merits: Upon the Department's review of the case documents and the responses of both parties, it becomes clear that the dispute centers on the Plaintiff's request for the Defendant to reconsider the final assessment notice for period Q4 2020. The Department has found the following:

First: Local Sales Subject to Basic Rate: It is clear that the dispute between the Plaintiff and the Defendant centers on the final assessment notice for the tax period related to the 4Q 2020, due to the Defendant adding undeclared sales in his tax declaration in the amount of SAR (262,416.67), and since the Plaintiff did not disclose the revenues, which led to him being subjected to the basic rate, and since it was proven to the Department that the Plaintiff's claim that the Defendant subjected the sales without considering returns and discounts is incorrect, and since the Plaintiff did not attach to the Department any supporting documents and evidence that prove the validity of his claim, which is considered a violation of what is stipulated in Article (56) of the Implementing Regulations of the VAT Law, and since ignorance of the instructions is not an excuse, the Department concludes that the Defendant's action is valid.

Second: Local Purchases Subject to Basic Rate: It is clear that the dispute between the Plaintiff and the Defendant centers on the final assessment notice for the tax period related to the 4Q 2020, due to the Defendant excluding purchases for the period due to lack of documents to exercise the right of deduction. Upon the Department's review of the case documents submitted by the Plaintiff to support the claim that the exclusion of these invoices is incorrect, it has become clear to the Department that the Plaintiff did not attach the supporting invoices to prove the validity of his claim, which led the Department to decide that the Defendant's decision is valid.

Third: Late Payment Fine: It is clear that the dispute between the Plaintiff and the Defendant centers on the imposition of a late payment fine resulting from the final assessment notice for the tax period related to the 4Q 2020, due to the Defendant adding undeclared sales in his tax declaration and excluding purchases for the period in dispute, which consequently results in the accrual of tax that was not paid on its statutory due date. It was established to the Department in the first and second items that the Defendant's action is upheld, and since the late payment fine resulted from that, and given that the resulting occurrence shall take the same effect, the Department concludes that the imposition of a late payment fine for the months following the tax period in question is valid.

Fourth: Fine for Error in Return: It is clear that the dispute between the Plaintiff and the Defendant centers on the imposition of a declaration error fine resulting from the final assessment notice for the tax period related to the 4Q 2020, due to the Defendant adding undeclared sales in his tax declaration and excluding purchases for the period in dispute. It was established to the Department in the first and second items that the Defendant's action is upheld, and since the declaration error fine resulted from that, the Department concludes that the Defendant's action in imposing the fine is valid.

In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

To dismiss the Plaintiff's case.



This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-205
Case No.: V-66585-2021

Key words:

Value Added Tax (VAT) - Field Detection Fine – Failure to Issue a Tax Invoice - Fine for Non-Compliance with Tax Invoice Requirements - Violation of Provisions of Value Added Tax Law and its Implementing Regulations - Case Dismissed.

Abstract

Taxpayer instituted this case moving to cancel ZATCA's decision regarding the field detection fine for failure to issue a tax invoice in the amount of SAR (10,000), concerning the fine for compliance with tax invoice requirements, where the dispute between the Taxpayer and the Defendant lies in imposing a fine for non-compliance with tax invoice requirements in the amount of SAR (10,000). It became clear to the Department that the Taxpayer did not attach evidence proving the inaccuracy of the Defendant's procedure or refuting what was attributed to it. Therefore the Taxpayer is considered in violation. Conclusion: The case is dismissed.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Article 45 of the Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- [Common VAT Agreement of GCC States, November 2016.](#)
- Paragraph (1) of Article (53) of [the Implementing Regulations of Value Added Tax Law issued by the General Authority of Zakat and Tax \(formerly\) Board of Directors Decision No. \(3839\) dated Dhu Al-Hijjah 14, 1438 AH corresponding to November 14, 2016 AD](#)

Facts

Facts of the case are summed up in that, holder of National ID number (.....), in his capacity as Owner of (...) Establishment, CR No. (...), submitted a statement of claim, which included an objection to the Defendant's decision regarding the imposition of a field detection fine for non-compliance with tax invoice requirements, in the amount of SAR (10,000), resulting from failure to issue a tax invoice, and requests cancellation of the imposed fine.

Having presented the statement of claim to Defendant, it responded as follows: First: On Merits: 1. On 26/05/2021, ZATCA's Representatives visited the Plaintiff's site and examined the simplified invoices provided by the Plaintiff during the field detection to verify the proper application of the Value Added Tax Law and its Implementing Regulations. After the inspection, it was found that the Plaintiff does not issue tax invoices



to consumers, which is a violation of Articles (53) and (66) of the Implementing Regulations of the Value Added Tax Law. 2. Having verified that the Plaintiff has violated the Value Added Tax Law and its Implementing Regulations as stated above, ZATCA imposed a fine of SAR 10,000 based on Article (45.1) of the Value Added Tax Law, which states: "A fine not exceeding fifty thousand (50,000) riyals shall be imposed on any person that: 1. has not kept Tax Invoices, books, records and accounting documents for the period set out in the Regulations and the fine shall be per Tax Period". Defendant representative concluded his Reply requesting that the case be dismissed. End of Reply.

On Sunday, 06/02/2022, a session was held in accordance with remote litigation procedures, with Defendant present. The Plaintiff failed to attend despite being notified of session's date and virtual format, nor did they provide any excuse for their absence. Defendant's Representative (...) was present holder of National ID No., in his capacity as ZATCA's Representative by Authorization Letter No. (...), dated (...) issued by Deput Governor for Legal Affairs. Given the Plaintiff's absence, the Defendant requested to proceed with the case and issue a decision. Therefore, the Department decided to adjourn the session for deliberation and issue a decision.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Decree No. (26040) dated 11/06/1441 AH. the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since the Plaintiff instituted his case moving to cancel the Defendant's decision regarding the imposition of a field detection fine for non-compliance with tax invoice requirements, based on the Value Added Tax Law and its Implementing Regulations, and since this dispute is a tax dispute and falls within the jurisdiction of the Tax Violations and Disputes Committee pursuant to Royal Decree No. (M/113) dated 02/11/1438 AH, and since the Case was filed by a competent party and within the legally prescribed period, the Department ruled to accept the Case in form.

On Merits: Upon the Department's examination of the case documents and the responses of both parties after granting them sufficient time to present and submit their statements, it becomes clear that the dispute between the Plaintiff and the Defendant lies in the imposition of a fine for non-compliance with tax invoice requirements in the amount of SAR (10,000), resulting from failure to issue a tax invoice, and the Plaintiff requests cancellation of the fine. Article (53.1) of the Implementing Regulations of the Value Added Tax Law states that: "Each Taxable Person must issue or arrange for the issuance of a Tax Invoice ...in the following cases: Where the Taxable Person makes a Taxable Supply of Goods or Services which he to another Taxable Person or to a non-taxable legal Person. Where the Taxable Person receives Consideration in respect of and prior to making a Taxable Supply of Goods or Services to an another Taxable Person, to a Nonresident Legal Person". Additionally, Article (45) of the Valued Added Tax Law states, "A fine not exceeding fifty thousand (50,000) riyals shall be imposed on any Person that: 3. violates any other provision of the Law or the Regulations".

After reviewing the detection report, dated (26/05/2021), it became evident from it that the violation was classified as 'non-compliance with tax invoice requirements' for 'failure to issue tax invoices,' and after reviewing the attachments to the Case, it became clear that the Plaintiff failed to attach evidence proving the inaccuracy of the Defendant's procedure



or refuting what was attributed to it. Therefore, the Plaintiff is considered in violation of Article (53.1) of the aforementioned Implementing Regulations, and accordingly, the Department decides to dismiss the Case.

In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

To dismiss the Plaintiff's case.

This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-206
Case No.: I-60393-2021

Key words:

Value Added Tax (VAT) - Field Detection Fine – Absence of Establishment Address – Fine for Violating Law Provisions – Violation of Provisions of Value Added Tax Law and its Implementing Regulations – Lawsuit Dismissed

Abstract

The Taxpayer instituted this case moving to cancel ZATCA's decision regarding the field detection fine for absence of the establishment address in the amount of SAR (10,000), and concerning the fine for violating law provisions, where the dispute lies in the fine for violating law or regulations in the amount of SAR 10,000. It became clear to the Department that the invoices submitted by the Taxpayer are subsequent to the date of the violation and not contemporaneous with it, and therefore, the Case is dismissed. Conclusion: The case is dismissed.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- Paragraph (3), Article (45) of [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- [Common VAT Agreement of GCC States, November 2016.](#)
- Article (53.8/b) of [the Implementing Regulations of Value Added Tax Law, issued by Resolution No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH, corresponding to 14 November 2016 of the Board of Directors of ZATCA \(formerly GAZT\)](#)

Facts

The facts of this case are summed up as follows: (.....) Company, C.R. No.(...), represented by (...), holder of National ID No. (...), in his capacity as the Company's Legal Representative under the articles of association, submitted a statement of claim, which included an objection to the Defendant's decision regarding the imposition of a field detection fine for non-compliance with tax invoice requirements, in the amount of SAR (10,000), resulting from absence of the establishment address, and requests cancellation of the imposed fine.

Having presented the statement of claim to Defendant, it responded as follows: "First: On Merits: 1. On 03/02/2021, ZATCA's Representatives visited the Plaintiff's site and examined the simplified invoices provided by the Plaintiff during the field detection to verify the proper application of the Value Added Tax Law and its Implementing Regulations. After the inspection, it was found that they violated the requirements of the simplified invoice stipulated in paragraph (b) of Article (53.8) of the Implementing Regulations of the Value Added Tax Law, which states: "8- A Simplified Tax Invoice must



include the following details: Name, address and Tax Identification Number of the Supplier.”. Upon reviewing the seized invoices, it was found that the supplier's address was missing, and therefore, ZATCA maintains the validity of its decision to impose the fine in question. 2. Having verified that the Plaintiff has violated the Value Added Tax Law and its Implementing Regulations as stated above, ZATCA imposed a fine of SAR 10,000 on the Plaintiff under Decision No. (...) dated 21/03/2021, based on Article (45.3) of the Value Added Tax Law, which states: "A fine not exceeding fifty thousand (50,000) riyals shall be imposed on any Person that: 3. - violates any other provision of the Law or the Regulations”. Defendant representative concluded his Reply requesting that the case be dismissed. End of Reply.

On Sunday, 06/02/2022, a session was held in accordance with remote litigation procedures, with Defendant present. The Plaintiff failed to attend despite being notified of session's date and virtual format, nor did they provide any excuse for their absence. Defendant's Representative (....) was present holder of National ID No., in his capacity as ZATCA's Representative by Authorization Letter No. (....), dated (.....) issued by Deputy Governor for Legal Affairs. Given the Plaintiff's absence, the Defendant requested to proceed with the case and issue a decision. Therefore, the Department decided to adjourn the session for deliberation and issue a decision.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Decree No. (26040) dated 11/06/1441 AH. the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since the Plaintiff instituted his Case moving to cancel the Defendant's decision regarding the imposition of a field detection fine for non-compliance with tax invoice requirements, based on the Value Added Tax Law and its Implementing Regulations, and since this dispute is a tax dispute and falls within the jurisdiction of the Tax Violations and Disputes Committee pursuant to Royal Decree No. (M/113) dated 02/11/1438 AH, and since the Case was filed by a competent party and within the legally prescribed period, the Department ruled to accept the Case in form.

On Merits: The Department, upon careful consideration of the Case documents and considering the responses of both parties after allowing sufficient time for them to present their arguments, determined that the dispute centers on the fine for violating law or regulation in the amount of SAR 10,000, due to absence of the establishment address. Paragraph (b) of Article (53.8) of the Implementing Regulations of the Value Added Tax Law, relating to tax invoices, stipulates: "A simplified tax invoice must include the following details:.... B) Name, address and Tax Identification Number of the Supplier, In addition, Article (45.3) of the Value Added Tax Law stipulates that: "A fine not exceeding fifty thousand (50,000) SAR shall be imposed on anyone who: 3. violates any other provision of the Law or the Regulations".

The Plaintiff is requesting to cancel the violation of law or regulation provisions, claiming ignorance of the law and tax invoice requirements. By referring to the field detection report, which recorded the visit date (03/02/2021), it became evident from it that the violation was classified as 'non-compliance with tax invoice requirements,' and the type of violation was 'absence of establishment address.'. The Plaintiff did not deny this in its statement of claim, as it stated a request to amend the tax invoices after the examiner's



visit, which makes it in violation of Article (53) of the Implementing Regulations of the Value Added Tax Law. It became clear to the Department that the invoices submitted by the Taxpayer are subsequent to the date of the violation and not contemporaneous with it, therefore, the Department concludes that the Defendant's decision to impose a fine for violating law or regulation provisions in the amount of SAR 10,000 is valid, in accordance with Article (45.3) of the Value Added Tax Law. In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

To dismiss the Plaintiff's case.

This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-207
Case No.: V-49392-2021

Key words:

Value Added Tax (VAT) – Final Reassessment of Tax Period – Late Payment Fine – Case Dismissed

Abstract

The Taxpayer instituted this case moving to cancel ZATCA's decision regarding the final reassessment of the tax period related to 3Q 2019, and the fines resulting from the reassessment, and concerning the final reassessment of the tax period. It is clear that the dispute lies in the final assessment of 3Q 2019. It became clear to the Department that the Defendant presented its point of view and the Taxpayer did not refute it, its Case is worthy of dismissal without prejudice to its right to amend according to the regulatory requirements. Conclusion: The case is dismissed.

Documents:

- Paragraph(2) of Article (5) [the Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 11/02/1438 AH](#)
- Paragraph(2) of Article (41) [Law of Civil Procedures promulgated by Royal Decree No. \(M/1\) dated 22/01/1435 AH.](#)
- [The Common Agreement for Value Added Tax of the Gulf Cooperation Council \(GCC\), November 2016](#), ratified by Royal Decree No. (M/51) dated 03/05/1438 AH.
- Paragraph (2) [of the Implementing Regulations of Value Added Tax Law, issued by Resolution No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH, corresponding to 14 November 2016 of the Board of Directors of ZATCA \(formerly GAZT\)](#)

Facts

Facts of this case are summed up as follows: Mr. (...), National ID No. (...), submitted a statement of claim, which included an objection to the Defendant's decision regarding the final reassessment of the tax period related to 3Q 2019, and the fines resulting from the reassessment,, and requested cancellation of the decision and the fines.

Having presented the statement of claim to Defendant, it responded as follows: First: In from: After reviewing the statement of claim submitted by the Plaintiff, it became clear that it included several tax periods, as the Plaintiff requests a review of the reassessment and fines related to the periods mentioned above. It is no secret to Your Excellency that



each reassessment and each declaration has a different processing method and data from the other, which makes it difficult to combine them in one case and requires separating them into independent cases. As Article (41.2) of the Law of Civil Procedures stipulates, "A single statement of claim may not combine several unrelated claims," and Article (5) of the Implementing Regulations of the Civil Procedure Law before the Board of Grievances in its paragraph (2) states that "The case shall not combine more than one plaintiff, or several requests that have no connection between them..." Additionally, Article (5.2) of the Tax Dispute and Violation Committee Procedures stipulates: "Where these Procedures are silent, the two committees shall apply the procedures stipulated in the Law of Civil Procedure, the Law of Criminal Procedure, and the Law of Procedures before the Board of Grievances as well as relevant regulations and decisions, ..." . The Defendant's Representative concluded his memorandum by requesting the separation of the case according to the periods. End of Reply.

On Wednesday, 12/01/2022 AD, a session was held in accordance with the Remote Litigation Procedures. Both parties requested to proceed with the case. The Plaintiff, holder of ID No.....appeared in person. holder of National ID No., in his capacity as Plaintiff's representative under PoA No. (...), as well as Defendant's representative (...), holder of National ID No., in his capacity as ZATCA's Representative by Authorization Letter No. (...), dated (...) issued by the Deputy Governor for Legal Affairs. When the Plaintiff's Attorney was asked about the Case, he answered in accordance with what was stated in the memorandum submitted to the General Secretariat of the Tax Committees and adhered to what was stated therein. When the Defendant's Representative was asked about his response, he answered by maintaining the response memorandum. When the Department asked the latter about the substantive response to the Plaintiff's Case, he answered that he requests a deadline to submit it. Accordingly, the Department decided to postpone to 01/02/2022 at 12 PM, provided that the Defendant submits its response before 23/01/2022 and that the Plaintiff reviews what was submitted and responds to it before 30/01/2022.

The Defendant responded with a memorandum stating: First: On Merits: The reassessment resulted in subjecting revenues not disclosed by the Plaintiff in their tax return, after referring to the Plaintiff's data with the Ministry of Justice, where the total amount after ZATCA's adjustment reached SAR (2,468,136.23). During the objection period, the Plaintiff claimed that the sale was through a public auction under a court order to settle an amount claimed by the Plaintiff, but the documents submitted at the time did not prove that the contract number appearing in the Ministry's data and shown above was related to the attached judicial decisions. Regarding ZATCA's adjustment of the local purchases item subject to tax at the basic rate, ZATCA confirms that the Plaintiff is not entitled to exercise the right of deduction due to the Plaintiff's failure to submit any documents supporting the validity of the amounts declared in the item under objection. Therefore, a late payment fine was imposed for the months following the tax period under objection. Defendant representative concluded his Reply requesting that the case be dismissed. End of Reply.

On Tuesday, 01/02/2022, a session was held in accordance with Procedures for Remote Litigation. Both parties wished to proceed with the case. (...) appeared, holder of National ID No., in his capacity as Plaintiff's representative under PoA No. (...), as well as Defendant's representative (...), holder of National ID No., in his capacity as ZATCA's Representative by Authorization Letter No. (...), dated (.....) issued by the Deputy Governor for Legal Affairs. Having asked the parties to the case if they had any other statements, they decided to suffice with their earlier submissions. Therefore, the Department ordered that the parties be temporarily dismissed from the virtual session for deliberation and delivery of its decision.



Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Decree No. (26040) dated 11/06/1441 AH, the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since Plaintiff filed this Case for the purpose of canceling Defendant's decision with regard to the final reassessment of the tax period related to 3Q 2019, and the fines resulting from the reassessment, based on the Value Added Tax Law and its Implementing Regulations, and since this dispute is one of the tax disputes, it is considered one of the disputes within the jurisdiction of the Tax Violations and Disputes Committee under Royal Decree No. (M/113) dated 02/11/1438 AH, and since the Case was submitted by a person with capacity, and within the period prescribed by law, it is then accepted in form.

On Merits: The Department, upon careful consideration of the Case documents and considering the responses of both parties after allowing sufficient time for them to present their arguments, determined that the dispute centers on the final assessment of 3Q 2019. The objection to the assessment decision was devoid of any credible evidence or productive support, but rather a mere unsubstantiated statement. As the burden of proof lies with the Plaintiff, and as the Defendant presented its point of view and the Plaintiff did not refute it, its case is worthy of dismissal without prejudice to its right to amend according to the regulatory requirements. Based on the foregoing, the Department ruled on the dismissal of the request to cancel the late payment fine due to the absence of what necessitates it.

In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

To dismiss the Plaintiff's case.

This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

Appellate

The Appellate Committee decided to uphold the appealed decision.





Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-210
Case No.: V-63522-2021

Key words:

Value Added Tax (VAT) - Field Detection Fine – Non-Compliance with Tax Invoice Requirements – Absence of Establishment Address – Violation of Provisions of Value Added Tax Law and its Implementing Regulations – Lawsuit Dismissed

Abstract

The Taxpayer instituted this case moving to cancel ZATCA's decision regarding the field detection fine for absence of the establishment address in the amount of SAR (10,000), and concerning the fine for violating law provisions, where the dispute lies in the fine for violating law or regulation provisions in the amount of SAR 10,000. It became clear to the Department that the Defendant submitted the detection report and the seized invoices, and upon reviewing them, it is clear that the establishment address is missing. Conclusion: The case is dismissed.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- Paragraph (3), Article (45) of [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- Article 30.1 of the [Common VAT Agreement of the GCC States, November 2016](#).
- Article (53.8/b) of [the Implementing Regulations of Value Added Tax Law, issued by Resolution No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH, corresponding to 14 November 2016 of the Board of Directors of ZATCA \(formerly GAZT\)](#)

Facts

Facts of the case are summed up in that, holder of National ID number (.....), in his capacity as Owner of (...) Establishment, CR No. (...), submitted a statement of claim, which included an objection to the Defendant's decision regarding the imposition of a field detection fine for non-compliance with tax invoice requirements, in the amount of SAR (10,000), resulting from absence of the establishment address, and requests cancellation of the imposed fine.

Having presented the statement of claim to Defendant, it responded as follows: “First: On Merits: 1. On 08/04/2021, ZATCA’s Representatives visited the Plaintiff’s site and examined the simplified invoices provided by the Plaintiff during the field detection to verify the proper application of the Value Added Tax Law and its Implementing Regulations. After the inspection, it was found that they violated the requirements of the simplified invoice stipulated in paragraph (b) of Article (53.8) of the Implementing



Regulations of the Value Added Tax Law, which states: "8- A Simplified Tax Invoice must include the following details: Name, address and Tax Identification Number of the Supplier,". Upon reviewing the seized invoices, it was found that the supplier's address was missing, and therefore, ZATCA maintains the validity of its decision to impose the fine in question. 2. After verifying the Plaintiff's violation of the provisions of the Value Added Tax Law and its Implementing Regulations as outlined above, ZATCA imposed a fine of SAR (10,000) on the Plaintiff under Decision No. (...) dated 06/05/2021, based on Article (45.3) of the Value Added Tax Law, which states: "A fine not exceeding fifty thousand (50,000) riyals shall be imposed on any Person that: 3. - violates any other provision of the Law or the Regulations". Defendant representative concluded his Reply requesting that the case be dismissed. End of Reply.

On Tuesday, 01/02/2022, a session was held in accordance with remote litigation procedures, with Defendant present. Plaintiff did not attend despite being notified of session's date and virtual format, nor did they provide any excuse for their absence. Defendant's Representative (...) was present holder of National ID No., in his capacity as ZATCA's Representative by Authorization Letter No. (...), dated 08/03/1442 AH, issued by Deput Governor for Legal Affairs. Given the Plaintiff's absence, the Defendant requested to proceed with the case and issue a decision. Therefore, the Department decided to adjourn the session for deliberation and issue a decision.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Decree No. (26040) dated 11/06/1441 AH. the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since the Plaintiff instituted his case moving to cancel the Defendant's decision regarding the imposition of a field detection fine for non-compliance with tax invoice requirements, based on the Value Added Tax Law and its Implementing Regulations, and since this dispute is a tax dispute and falls within the jurisdiction of the Tax Violations and Disputes Committee pursuant to Royal Decree No. (M/113) dated 02/11/1438 AH, and since the Case was filed by a competent party and within the legally prescribed period, the Department ruled to accept the Case in form.

On Merits: The Department, upon careful consideration of the Case documents and considering the responses of both parties after allowing sufficient time for them to present their arguments, determined that the dispute centers on the fine for violating law or regulation in the amount of SAR 10,000, due to absence of the establishment address. Paragraph (1) of Article (56) of the Common VAT Agreement of the GCC States (Tax Invoice Contents) stipulates: "Each Member State must determine the contents of the Tax Invoice and the period within which it must be issued, provided that The Ministerial Committee shall determine the minimum details required to be included in the tax invoice. Each Member State may allow for the issuance of simplified invoices in accordance with the conditions and rules determined by it". Additionally, Article (53.8.b) of the Implementing Regulations of the Value Added Tax Law, relating to tax invoices, stipulates: "A simplified tax invoice must include the following details:.... B) Name, address and Tax Identification Number of the Supplier, In addition, Article (45.3) of the Value Added Tax Law stipulates that: "A fine not exceeding fifty thousand (50,000) SAR shall be imposed on anyone who: 3. violates any other provision of the Law or the Regulations".



After reviewing the submitted documents, it is clear that the detection date is 08/04/2021. The Defendant submitted the detection report and the seized invoices, and upon reviewing them, it is clear that the establishment address is missing, which violates paragraph (b/8) of Article (53) of the Regulations. As for what the Plaintiff argued regarding the transfer of ownership on the detection date, no document was submitted to prove this. It is also clear that the TIN Number used on the invoices is still in use, which indicates that the transfer of ownership was completed before the detection date, and if it was transferred after that date, the TIN Number would have changed as a result of this procedure. Based on the foregoing and the submitted documents, the Department finds the Defendant's decision to be valid, based on paragraph (3) of Article (45) of the Value Added Tax Law. In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

To dismiss the Plaintiff's case.

This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-214
Case No.: V-57097-2021

Key words:

Value Added Tax – Reassessment – Local sales subject to tax at basic rate – Error Fine – Late Payment Fine

Abstract

The Taxpayer instituted this case moving to cancel ZATCA's decision regarding the final reassessment of the tax period related to 1Q 2019, and the fines resulting from the reassessment, and concerning the item (local sales subject to tax at the basic rate), where the dispute lies in the final assessment notice of the tax period. It became clear to the Department that the Taxpayer failed to provide ZATCA with the required invoices. As for the item (fine for error in the declaration), the dispute lies in imposing the fine for error in the declaration resulting from the final assessment notice of the tax period, Validity of the Defendant's decision to amend was proven and no contrary was proven, and the resulting occurrence shall take the same effect. Accordingly, the Department dismisses Plaintiff's case.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- Articles (26.1), (27.1), (42.1), and (43) of [the Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 H](#)
- [Common VAT Agreement of GCC States, November 2016.](#)
- Articles (14), Article (32), and (56.1) of [the Implementing Regulations of Value Added Tax Law, issued by Resolution No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH, corresponding to 14 November 2016 of the Board of Directors of ZATCA \(formerly GAZT\)](#)

Facts

The facts of this case are summed up as follows: The Plaintiff (...), National ID No.(...), Owner of (...) Establishment, CR. No. (...), submitted a statement of claim, which included an objection to the Defendant's decision regarding the final reassessment of the tax period related to 1Q 2019, and the fines resulting from the reassessment, and requests cancellation of the decision and the fines.

Having presented the statement of claim to Defendant, it responded as follows: First: In from: Whereas Article (49) of Value Added Tax Law stipulates: “Any person against whom a penalty decision is issued may appeal such decision as per Tax Dispute and Violation Committee Procedures” Article 2 of Tax Dispute and Violation Committee Procedures has also stated the following: “Any person against whom a decision has been



issued by GAZT may file an objection before it within 60 days from the date of notification thereof. GAZT shall decide on the objection within 90 days from the date of filing.". The Plaintiff submitted their objection to the tax period in question but did not submit the regulatory requests for ZATCA to begin studying their objection and issuing the decision within the regulatory periods. They were asked during the submission of the objection to provide the bank guarantee in accordance with Article 65 of the Implementing Regulations of the Value Added Tax Law, but the Plaintiff did not fulfill the regulatory requirements, which resulted in automatic cancellation of the objection request on 26/07/2021, attached document 1, which proves that the Plaintiff did not comply with the regulatory procedures necessary for submitting the objection. Second: On Merits: 1. Local Sales Subject to Basic Tax Rate: The Plaintiff submitted their declaration for the tax period in question, disclosing local sales subject to tax at the basic rate in the amount of SAR 4,500.00. 2. The reassessment resulted in subjecting revenues not disclosed by the Plaintiff in their tax return, after referring to the Plaintiff's data with the Ministry of Justice, where the total amount after ZATCA's adjustment reached SAR 1,748,050.00. 3. Fine for Error in Return: A fine for error in submitting the return was imposed, based on Article 42 of the Value Added Tax Law. 4. Late Payment Fine: It was found that the Plaintiff's return was incorrect, which necessitated amending the Plaintiff's tax return and imposing a late payment fine for the months following the tax period in question. The Defendant's Representative concluded his memorandum by requesting dismissal of the Case in form, and rejection of the Case on merits. End of Reply.

On Sunday, 06/02/2022, a session was held in accordance with remote litigation procedures, with Defendant present. The Plaintiff failed to attend despite being notified of session's date and virtual format, nor did they provide any excuse for their absence. Defendant's Representative (...) was present holder of National ID No., in his capacity as ZATCA's Representative by Authorization Letter No. (...), dated 08/03/1442 AH, issued by Deput Governor for Legal Affairs. Given the Plaintiff's absence, the Defendant requested to proceed with the case and issue a decision. Therefore, the Department decided to adjourn the session for deliberation and issue a decision.

Grounds

After due examination and having reviewed the case file, the Value Added Tax Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, the Implementing 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, the Tax Dispute and Violation Committee Procedures issued by Royal Decree No. (26040) dated 11/06/1441A H, the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In form: Since Plaintiff filed this Case for the purpose of canceling Defendant's decision with regard to the final reassessment of the tax period related to 1Q 2019, and the fines resulting from the reassessment, based on the Value Added Tax Law and its Implementing Regulations, and since this dispute is one of the tax disputes, it is considered one of the disputes within the jurisdiction of the Tax Violations and Disputes Committee under Royal Decree No. (M/113) dated 02/11/1438 AH, and since the Case was submitted by a person with capacity, and within the period prescribed by law, it is then accepted in form.

On Merits: Having examined Case documents and answer of both parties after giving them a period to express and submit their statements and memorandums, the Department therefore found that the dispute relates to the following, First: Local sales subject to tax at the basic rate. It is clear that the dispute centers on the final assessment notice of the tax period related to 1Q 2019, due to the Defendant's adjustment of the local sales subject to



tax at the basic rate, increasing it to SAR (1,748,050), due to the Plaintiff's failure to disclose these supplies. Article (26) of the Value Added Tax Law stipulates: "ZATCA may make a Tax assessment of a Taxable Person irrespective of a Tax Return filed by him". Additionally, Article 14 of the Implementing Regulations of VAT Tax Law stated that: "Without prejudice to Article two of the Law, for the purposes of applying the Agreement and the Law in the Kingdom, the Tax is imposed on all Taxable Supplies of Goods and Services made by a Taxable Person in the Kingdom in the course of carrying on their Economic Activity or those received by a Taxable Person in the Kingdom in the course of carrying on their Economic Activity where the Reverse Charge Mechanism applies, as well as on the Import of Goods into the Kingdom". In addition, Article (56.1) states: "1. All Persons must provide the Authority with any information requested by the Authority for the purposes of establishing whether that Person is complying fully with its Tax obligations".

It was found that the Defendant exercised its right to reassess the return for 1Q 2019, based on Article (26.1) of the Value Added Tax Law, and that the adjustment made to the sales subject to tax at the basic rate was due to the Plaintiff's failure to disclose these supplies, which the Defendant obtained through a third party (Ministry of Justice). Based on this, they were subjected to tax at the basic rate according to Article (14) of the Implementing Regulations of the Value Added Tax Law. Additionally, exports subject to tax at a zero percent rate were excluded due to the Plaintiff's failure to submit documents supporting the occurrence of the export according to Article (32) of the Implementing Regulations. As the Plaintiff did not provide ZATCA with the required invoices, the Department finds the Defendant's procedure to be valid.

Second: Fine for Error in Return: It is clear that the dispute lies in the imposition of the fine for error in the return resulting from the final assessment notice of the tax period related to 1Q 2019. This is due to the Defendant's adjustment of the local sales subject to tax at the basic rate because of the Plaintiff's failure to disclose these supplies and the exclusion of exports subject to tax at a zero percent rate. Article (42.1) of the Value Added Tax Law stipulates: "Any Person who files an incorrect Tax Return to the Authority, amends a Tax Return after filing or files any document with the Authority in relation to the Tax due by him which results in an error in the calculation of the Tax amount resulting in an amount that is less than the Tax due shall be liable to a fine equal to (50%) of the value of the difference between the calculated Tax and and the Tax due".

After reviewing the entire case file and its contents, it is clear that the Defendant based its decision to impose the fine on the adjustment resulting from the assessment of the local sales subject to tax at the basic rate and exports subject to tax at a zero percent rate, which resulted in an increased tax liability that was not declared by the Plaintiff in their return for 1Q 2019. As the validity of the Defendant's decision to adjust was proven and no contrary was proven, and as the resulting occurrence shall take the same effect, the Department finds the Defendant's decision to impose a fine for submitting an incorrect return according to Article (42.1) of the Value Added Tax Law to be valid.

Third: Late payment fine: It is clear that the dispute lies in the imposition of the late payment fine in the return resulting from the final assessment notice of the tax period related to 1Q 2019. This is due to the Defendant's adjustment of the local sales subject to tax at the basic rate because of the Plaintiff's failure to disclose these supplies and the exclusion of exports subject to tax at a zero percent rate. Article No.(27.1) of the Value Added Tax Law stipulates: "The Regulations shall determine the time periods, terms and conditions for the payment of Net Tax due by a Taxable Person". Article (59.1) of the Implementing Regulations of Value Added Law, states: "Payment of Tax due by a Taxable Person in respect of a Tax Period must be made at the latest by the last day of the month following the end of that Tax Period." Additionally, Article (43) of the VAT Law states:



“Whoever does not pay the tax due within the period specified by the Regulations shall be fined an amount equaling (5%) of the value of unpaid tax, for each month or fraction of month for which the tax was not paid.”

After reviewing the entire case file and its contents, it was found that the Defendant issued the final assessment notice for 1Q 2019, and a difference resulted in the value of the tax due, which was not paid within the legally prescribed period. Based on this, a late payment fine was imposed for the months following the tax period for 1Q 2019. Therefore, the Department finds this fine to be valid, based on Article (43) of the Value Added Tax Law. In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

To dismiss the Plaintiff's case.

This decision was issued in presence of both parties. Department set thirty (30) days from date for receiving copy of decision, and may extend delivery date for another (30) days. Parties hereto may request to appeal decision within thirty (30) days from the day following the date specified for its receipt, whereafter it shall become final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-216
Case No.: V-62196-2021

Key words:

Value Added Tax – Real Estate Supply – Obligation of the Defendant to Pay Tax – Case Dismissal.

Abstract

Plaintiff seeks to oblige Defendant to refund the amount of SAR 42,500, representing VAT paid on a property sale of SAR 500,000. Taxpayer's demand is based on the obligation of Defendant to pay VAT in the amount of SAR 42,500 for the supply of the property at a value of SAR 500,000. However, the Department determined that Taxpayer failed to issue a tax invoice at the time of the sale. Conclusion: The case is dismissed.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- Article 2 of [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- Paragraph (2) of Article (26) and Article (30) of [the Common VAT Agreement of GCC States , November 2016.](#)
- Article (14) of [the Implementing Regulations of the Value Added Tax Law, issued by Resolution of the Board of Directors of the General Authority of Zakat and Income -formerly- No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH corresponding to 14 November 2016](#)

Facts

Facts of the case are summed up in that, holder of National ID No. (....), in his capacity as a representative under PoA No. (...), on behalf of Plaintiff (...), holder of National ID No. (...), filed a statement of claim against (...) Company, CR No. (...), seeking to oblige Defendant to refund the amount of SAR 42,500, representing VAT paid on a property sale of SAR 500,000. This pertains to Residential Plot No. (...) in Block No. (...) of the amended Plan No. (...) located in (...) neighborhood In Dammam.

Defendant responded with a memorandum stating: Plaintiff did not present the company with any registration certificate or tax invoice. Additionally, Plaintiff signed a written acknowledgment, and the matter was handled in accordance with the circular issued regarding the government's coverage of the first home tax. Plaintiff subsequently registered and made the payment to ZATCA on 11/11/2019, after having sold the property to the company on 10/11/2019. End of Reply.



On Sunday, 06/02/2022, the hearing was held remotely in accordance with virtual litigation procedures. Upon calling the parties to the case, (...) holding National ID No. (...) attended in his capacity as Plaintiff's representative under PoA No. (...). Defendant or their representative did not appear. When asked about his claim, Plaintiff's representative reiterated the contents of the petition submitted to the General Secretariat of the Tax Committees and insisted on its claims. As the case was ready for adjudication, and after concluding the participation of the present party, the Department decided to temporarily clear the virtual courtroom for deliberation and issuance of the decision.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Order No. (26040) dated 11/06/1441 AH, and the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since Plaintiff filed its case to oblige Defendant to refund the amount of SAR 42,500, representing the VAT paid, based on Value Added Tax Law and its Implementing Regulations, and since this is a tax dispute, it then falls within the jurisdiction of the Committee for Resolution of Income Tax Violations and Disputes as per Royal Order No. (26040) dated 21/04/1441 AH, and since the case was filed by a person having capacity, and within the period prescribed by law, it is therefore accepted in form.

On Merits: It is evident that, upon reviewing the case documents and the responses from both parties after providing them sufficient time to present their arguments, the dispute between Plaintiff and Defendant concerns on the demand for VAT payment of SAR (42,500) for supplying a property to Defendant valued at SAR (500,000) dated 13/03/1441 AH Corresponding to (10/11/2019). Paragraph (2) of Article (26) of the Common VAT Agreement of GCC States stipulates: "The supply value shall be the consideration value exclusive of tax, and shall include the value of the non-cash portion of the specified consideration based on the fair market value". Article (2) of the VAT Law states: "Tax shall be imposed on the import and supply of Goods and Services in accordance with the provisions stipulated in the Agreement, the Law and the Regulations". Whereas Article (14) of the Implementing Regulations of Value Added Tax Law stipulates: "Without prejudice to Article two of the Law, for the purposes of applying the Agreement and the Law in the Kingdom, the Tax is imposed on all Taxable Supplies of Goods and Services made by a Taxable Person in the Kingdom in the course of carrying on their Economic Activity or those received by a Taxable Person in the Kingdom in the course of carrying on their Economic Activity where the Reverse Charge Mechanism applies, as well as on the Import of Goods into the Kingdom.."

After reviewing the complete case file and its contents, Plaintiff's claim against Defendant is based on the demand for the payment of Value Added Tax (VAT) amounting to SAR 42,500 for supplying a property to Defendant at a value of SAR 500,000, as stated in the attached deed No. (...) dated (13/03/1441 AH), corresponding to (10/11/2019), which was subsequently sold to Plaintiff's client/citizen (...) through mortgage financing. Upon examining Defendant's memorandum of reply, it is established that, as a general principle, the burden of paying VAT, being an indirect tax on received goods and services, falls on



the customer or buyer (the recipient of goods and services), except in cases specifically exempted from tax payment under certain conditions outlined in Article (30) of the Common VAT Agreement of GCC States. Considering the facts of the case, it is evident that Plaintiff is not entitled to impose the tax, as they were registered for VAT under No. (...) on 11/11/2019, with an effective date of 01/12/2019, which was not in effect at the time of the property transfer. Furthermore, since Plaintiff failed to provide evidence of issuing a tax invoice at the time of sale, the Department satisfies to dismiss the case.

In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

Dismiss Plaintiff's case.

This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-217
Case No.: V-64149-2021

Key words:

Value Added Tax – Field Inspection Fine – Absence of Tax Identification Number (TIN)
– Fine for Violation of Law Provisions – Violation of the Value Added Tax Law and its
Implementing Regulations – Case Dismissal.

Abstract

Taxpayer seeks to annul ZATCA's decision regarding the field inspection fine, amounting to SAR 10,000, for the absence of a Tax Identification Number. The dispute, in relation to the fine for violating law provisions, between Taxpayer and Defendant revolves around the imposition of a fine for violating the provisions of law or its implementing regulations. Upon review, the Department determined that the invoice submitted by Taxpayer was not contemporaneous with the time of the inspection and did not align with the invoices of the workshop where the inspection took place. This inconsistency leads the Department question its credibility, especially in light of the official inspection report. Therefore, the Department ruled to dismiss case.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- Paragraph (1) of Article (23) and Article (45) of [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- [Common VAT Agreement of GCC States, November 2016.](#)
- Paragraph (8) of Article (53) of [the Implementing Regulations of Value Added Tax Law issued by the General Authority of Zakat and Tax \(formerly\) Board of Directors Decision No. \(3839\) dated Dhu Al-Hijjah 14, 1438 AH corresponding to November 14, 2016 AD](#)

Facts

Facts of this case are summarized that, holder of National ID No. (....), owner of (...) Establishment, CR No. (...), filed a statement of claim challenging Defendant's decision regarding the imposition of a field inspection fine, amounting to SAR (10,000) for non-compliance with tax invoice requirements, specifically due to the absence of a Tax Identification Number. Therefore, Plaintiff requests nullification of the imposed fine. Having presented the statement of claim to Defendant, it responded as follows: "First: On Merits: 1. ZATCA's representatives, on 09/06/2021, conducted an on-site inspection of Plaintiff's premises and examined the simplified invoices issued during the field campaign to verify compliance with the Value Added Tax (VAT) Law and its Implementing Regulations. Upon inspection, it was found that Plaintiff's invoices lacked TIN, which constitutes a violation of the simplified invoice requirements outlined in Paragraph (8.b) of Article (53) of the Implementing Regulations of the VAT Law, which pertains to "the



name, address and Tax Identification Number of the Supplier”. Moreover, ZATCA’s representatives confirmed that the invoices issued by Plaintiff lacked the Tax Identification Number, resulting in a violation. 2. ZATCA, upon confirming Plaintiff’s violation of the provisions of the Value Added Tax (VAT) Law and its Implementing Regulations, as outlined above, imposed a fine of SAR 10,000 on Plaintiff pursuant to its Decision No. (...) dated 29/06/2021, based on Paragraph (3) of Article (45) of the VAT Law, which states: “A fine not exceeding fifty thousand (50,000) riyals shall be imposed on any Person that: 3. violates any other provision of the Law or the Regulations.” Defendant’s representative concluded his Reply requesting that the case be dismissed. End of Reply. On Sunday, 06/02/2022, a session was held in accordance with remote litigation procedures, with Defendant present. However, Plaintiff failed to attend despite being notified of session’s date and virtual format, nor did they provide any excuse for their absence. Defendant’s Representative (...), holder of National ID No., was present in his capacity as ZATCA’s Representative by Authorization Letter No. (...), dated (.....) issued by Deput Governor for Legal Affairs. Given the Plaintiff’s absence, Defendant requested to proceed with the case and issue a decision. Therefore, the Department decided to adjourn the session for deliberation and adjudication.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Order No. (26040) dated 11/06/1441 AH, and the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since Plaintiff filed its case to cancel Defendant’s decision on the imposition of a field inspection fine for non-compliance with tax invoice requirements—specifically, the absence of a Tax Identification Number— based on Value Added Tax Law and its Implementing Regulations, and since this is a tax dispute, it then falls within the jurisdiction of the Committee for Resolution of Income Tax Violations and Disputes as per Royal Order No. (26040) dated 21/04/1441 AH, and since the case was filed by a person having capacity, and within the period prescribed by law, it is therefore accepted in form.

On Merits: It is evident that, upon reviewing the case documents and the responses from both parties after providing them sufficient time to present their arguments, the dispute between Plaintiff and Defendant concerns the imposition of a fine for violating the provisions of the VAT Law or its Implementing Regulations due to the absence of a Tax Identification Number. Paragraph (1) of Article (23) of the VAT Law, which pertains to tax invoices, states: which stipulates 1. The contents and form of Tax Invoices, and the time periods for the issuance thereof”. Furthermore, Paragraph (8) of Article (53) of the Implementing Regulations of the VAT Law, which pertains to tax invoices, states: "A simplified tax invoice must include the following details:.... A. Issue Date B. Name and address of the supplier and their tax identification number. C. The tax due or a statement indicating that the total amount includes tax concerning the supply of goods or services. Additionally, Article (45) of the VAT Law states: "A fine not exceeding fifty thousand (50,000) SAR shall be imposed on anyone who: 3. violates any other provision of the Law or the Regulations.

The Department, upon reviewing the entire case file and the defenses contained therein, determined that Plaintiff seeks to nullify the imposed fine. However, the Department



established that the invoice submitted by Plaintiff was not contemporaneous with the time of the inspection and did not align with the invoices of the workshop where the inspection took place. This inconsistency leads the Department question its credibility, especially in light of the official inspection report. Consequently, the Department satisfies to uphold Defendant's decision to impose a fine amounting to SAR (10,000) for violating the provisions of the VAT Law or its Implementing Regulations and dismiss Plaintiff's case. In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

Dismiss Plaintiff's case.

This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-218
Case No.: V-57147-2021

Key words:

Value Added Tax – Late Registration Fine – Lack of Presented Facts – Case Admissibility.

Abstract

Taxpayer seeks to cancel ZATCA's decision regarding the imposition of a late VAT registration fine amounting to SAR 10,000. The dispute centers on the late registration fine, which Taxpayer requests nullification. Upon review, the Department found that Defendant failed to present the material facts in a precise and clear manner. Therefore, the Department ruled to accept the case.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- Article (50.1) of the [Common VAT Agreement of the GCC States, November 2016.](#)
- Paragraph (1) of Article (3) of [the Implementing Regulations of Value Added Tax Law issued by the General Authority of Zakat and Tax \(formerly\) Board of Directors Decision No. \(3839\) dated Dhu Al-Hijjah 14, 1438 AH corresponding to November 14, 2016 AD](#)

Facts

The facts of this case are summed up in that Company, a single-person Company, with CR. No. (...), represented by (...), holder of National ID No. (...), in his capacity as the legal representative of Plaintiff, pursuant to the Articles of Incorporation, filed a statement of claim challenging Defendant's decision to impose a late VAT registration fine, amounting to SAR 10,000, and requests nullification thereof.

Having presented the statement of claim to Defendant, it responded as follows: First: On Merits: 1. The decision is presumed to be valid and sound, and whoever claims otherwise shall provide proof supporting his claims. 2. Paragraph (2) of Article (50) of the Common VAT Agreement of GCC States stipulates "The Mandatory Registration Threshold shall be SAR 375,000". Article (79) of the Implementing Regulations of the VAT Law states "a Person whose value of annual Supplies exceeds the Mandatory Registration Threshold but does not exceed one million (1,000,000) SAR is exempted from the requirement to register in the Kingdom until 1 January 2019. However, any application for such registration must be submitted that on or before 20 December 2018." Upon reviewing Plaintiff's records with ZATCA, it is evident that the Plaintiff first submitted a VAT registration application on 17/03/2021. 3. Taxpayer, having voluntarily registered in accordance with the



regulations and selected the appropriate supply threshold, incurred the fine based on their own declared data, which serves as the sole basis for such fines. 4. In light of the foregoing, the late registration fine was lawfully imposed in accordance with Article (41) of the VAT Law, which states: “Any Person who has not applied for registration within the period specified in the Regulations shall be fined ten thousand (10,000) riyals.” Defendant’s representative concluded his Reply requesting that the case be dismissed. End of Reply.

On Sunday, 06/02/2022, a session was held in accordance with remote litigation procedures. Both parties wished to proceed with the case. holder of National ID No., appeared in his capacity as Plaintiff’s representative under PoA No. (...), as well as Defendant’s representative (...), holder of National ID No., in his capacity as ZATCA’s Representative by Authorization Letter No. (...), dated (.....) issued by Deputy Governor for Legal Affairs. Having asked Plaintiff about her case, she responded that she admits what is mentioned in her statement of claim submitted to General Secretariat of Zakat, Tax and Customs Committees and confirms all facts contained therein. Having asked Defendant’s representative about his reply to Plaintiff claims, he maintained his answers contained in his reply deposited in case file. Having asked the parties to the case if they had any other statements, they decided to suffice with their earlier submissions. Therefore, the Department ordered that the parties be temporarily dismissed from the virtual session for deliberation and delivery of its decision.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Order No. (26040) dated 11/06/1441 AH, and the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since Plaintiff filed the Case to cancel Defendant’s decision regarding the imposition of a late VAT registration fine, based on Value Added Tax Law and its Implementing Regulations, and since this is a tax dispute, it then falls within the jurisdiction of the Committee for Resolution of Income Tax Violations and Disputes as per Royal Order No. (26040) dated 21/04/1441 AH, and since the case was filed by a person having capacity, and within the period prescribed by law, it is therefore accepted in form.

On Merits: It is evident that, upon reviewing the case documents and the responses from both parties after providing them sufficient time to present their arguments, the dispute concerns on the late registration fine, which Plaintiff requests nullification. Paragraph (1) of Article (50) of the Common VAT Agreement of GCC States stipulates: “A taxable person shall be required to register for the purposes of implementing this Agreement if: a) he is resident in any Member State; b) the value of his annual supplies in that Member State exceeds or is expected to exceed the Mandatory Registration Threshold”. Moreover, Paragraph (1) of Article (3) of the Implementing Regulations of VAT Law states: “For registration purposes, every Resident Person in the Kingdom who is not registered by the Authority must at the end of each month calculate the value of his Supplies made in the Kingdom within the twelve months then ended, in accordance with the requirements set out in the Agreement. In cases where this value exceeds the Mandatory Registration Threshold detailed in the Agreement, the Person must apply to the Authority to register within thirty (30) days of the end of that month pursuant to Article eight of these Regulations.”



It is evident, upon examining the case facts, reviewing Plaintiff's claims, and considering Defendant's arguments, that Defendant imposed a late registration fine of SAR (10,000). Plaintiff argued that the entity was initially a sole proprietorship, which was later converted into a single-person company while retaining the same owner. Additionally, Defendant failed to present clear and precise material facts that justified its administrative decision to impose such fine and did not substantiate its decision with proper legal grounds, thereby preventing Plaintiff from presenting counter-evidence. Furthermore, the exact nature of the alleged violation was not clearly defined, especially considering that the entity was already registered and remained registered and ZATCA did not allege that Taxpayer had failed to submit tax returns. Accordingly, the Department concludes to cancel Defendant's decision.

In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

Accept Plaintiff's case and annul Defendant's decision subject to the case.

This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-219
Case No.: V-59088-2021

Key words:

Value Added Tax – Field Inspection Fine – Fine for Failure to Retain Tax Invoices – Plaintiff's Violation of the Value Added Tax Law and its Implementing Regulations – Case Admissibility.

Abstract

Taxpayer seeks annulment of ZATCA's decision regarding the field inspection fine for failure to retain tax invoices, amounting to SAR 10,000. The dispute, regarding the fine for failure to retain records and documents, between Taxpayer and Defendant concerns the imposition of this fine for failure to retain records, documents, and tax invoices, amounting to SAR 10,000. Upon review, the Department demonstrated that Taxpayer adhered to retaining all records, documents, and tax invoices and presented a number of invoices issued prior to the inspector's visit, contradicting the basis on which Defendant imposed the field inspection fine. Therefore, the Department ruled to accept Taxpayer's case and annul Defendant's decision.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- Paragraph (1) of Article (45) of [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- [Common VAT Agreement of GCC States, November 2016.](#)
- Paragraph (1) of Article (66) of [the Implementing Regulations of Value Added Tax Law issued by the General Authority of Zakat and Tax \(formerly\) Board of Directors Decision No. \(3839\) dated Dhu Al-Hijjah 14, 1438 AH corresponding to November 14, 2016 AD](#)

Facts

Facts of the case are summarized that, holder of National ID No. (...), in her capacity as Owner of (...) Establishment, CR No. (...), submitted a statement of claim, which included an objection to Defendant's decision regarding the imposition of a field detection fine for non-compliance with tax invoice requirements, in the amount of SAR (10,000), resulting from failure to retain tax invoices, and requests nullification of the imposed fine. Having presented the statement of claim to Defendant, it responded as follows: First: On Merits: 1. ZATCA's representatives, on 23/03/2021, conducted an on-site inspection of Plaintiff's premises and examined the simplified invoices issued during the field campaign to verify compliance with the Value Added Tax (VAT) Law and its Implementing



Regulations. Having questioned regarding the records, documents, and tax invoices, Plaintiff's representatives stated that they were not retained, which constitutes a violation of Article (66) of the Implementing Regulations of the VAT Law. 2. ZATCA, upon confirming Plaintiff's violation of the provisions of the Value Added Tax (VAT) Law and its Implementing Regulations, as outlined above, imposed a fine of SAR (10,000) on Plaintiff pursuant to its Decision No. (...) dated 11/04/2021, based on Paragraph (1) of Article (45) of the VAT Law, which states: "A fine not exceeding fifty thousand (50,000) riyals shall be imposed on any Person that: 1. has not kept Tax Invoices, books, records and accounting documents for the period set out in the Regulations and the fine shall be per 'Tax Period'". Defendant representative concluded his Reply requesting that the case be dismissed. End of Reply.

On Sunday, 06/02/2022, a session was held in accordance with remote litigation procedures. Both parties wished to proceed with the case., holder of National ID No., appeared in his capacity as Plaintiff's representative under PoA No. (...), as well as Defendant's representative (...), holder of National ID No., in his capacity as ZATCA's Representative by Authorization Letter No. (...), dated 08/03/1442 AH issued by Deputy Governor for Legal Affairs. Having asked Plaintiff's Representative regarding their case, they reiterated the arguments presented in the statement of claim submitted to the General Secretariat of Tax Committees. Having asked Defendant's representative about his reply, he affirmed adherence to the arguments outlined in the memorandum of reply. Having asked the parties to the case if they had any other statements, they decided to suffice with their earlier submissions.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Order No. (26040) dated 11/06/1441 AH, and the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since Plaintiff instituted his Case moving to cancel Defendant's decision regarding the imposition of a field detection fine for non-compliance with tax invoice requirements, based on the Value Added Tax Law and its Implementing Regulations, and since this dispute is a tax dispute and falls within the jurisdiction of the Tax Violations and Disputes Committee pursuant to Royal Decree No. (M/113) dated 02/11/1438 AH, and since the Case was filed by a competent party and within the legally prescribed period, the Department ruled to accept the Case in form.

On Merits: It is evident that, upon reviewing the case documents and the responses from both parties after providing them sufficient time to present their arguments, the dispute between Plaintiff and Defendant concerns on the imposition of a fine amounting to SAR (10,000) for failure to retain records, documents, and tax invoices. Moreover, Plaintiff seeks nullification of such fine. Paragraph (1) of Article (66) of the Implementing Regulations of the VAT Law states: "The invoices, books, records and accounting documents required to be maintained by a Taxable Person in accordance with the Law and these Regulations shall be kept for a minimum period of six (6) years from the end of the



Tax Period to which they relate. Records with respect to Capital Assets must be kept for a minimum of the adjustment period for these Capital Assets prescribed in Article fifty-two of these Regulations, plus five (5) years, with such period starting from the date those Capital Assets are acquired by the Taxable Person”. In addition, Paragraph (1) of Article (45) of the VAT Law provides: “A fine not exceeding fifty thousand (50,000) SAR shall be imposed on anyone who: 1. has not kept Tax Invoices, books, records and accounting documents for the period set out in the Regulations and the fine shall be per Tax Period.”

The Department, upon reviewing the entire case file and the defenses contained therein, determined that Plaintiff seeks to nullify the fine for failure to retain records, documents, and tax invoices, claiming that the required invoices are available. It is evident that the fine was imposed based on the field visit dated 23/03/2021, during which the violation was classified as "failure to retain records, documents, and tax invoices." Since Plaintiff insisted on retaining all records, documents, and tax invoices and presented a number of invoices issued prior to the inspector's visit, contradicting the basis on which Defendant imposed the field inspection fine. Therefore, the Department satisfies to annul Defendant's decision to impose a fine for failure to retain records, documents, and tax invoices in the amount of SAR (10,000), pursuant to Paragraph (1) of Article (45) of the Value Added Tax Law.

In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

Accept Plaintiff's claim and annul Defendant's decision subject to the case.

This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-221
Case No.: V-63630-2021

Key words:

Value Added Tax – Field Inspection Fine – Failure to Display Tax Certificate – Plaintiff's Violation of the Value Added Tax Law and its Implementing Regulations – Case Dismissal.

Abstract

Taxpayer seeks annulment of ZATCA's decision regarding the imposition of a field inspection fine, amounting to SAR 10,000, for failure to display the VAT registration certificate in the premises. The dispute, in relation to the fine for violating law provisions, between Taxpayer and Defendant revolves around the imposition of a fine for violating the provisions of law or its implementing regulations. Upon review, the Department demonstrated that Taxpayer failed to display the VAT registration certificate at the premises and did not contest this matter. Instead, Taxpayer's case focused on the non-collection of VAT, which was not the subject of the violation. Conclusion: The case is dismissed.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- Article (45.3) of [Law of Value Added Tax promulgated by Royal Decree No. \(M/113\) of 02/11/1438 AH.](#)
- [Common VAT Agreement of GCC States, November 2016](#), ratified by Royal Decree No. (M/51) dated 03/05/1438 AH.
- Article (8.8) of [the Implementing Regulations of the Value Added Tax Law, issued by Resolution of the Board of Directors of the General Authority of Zakat and Income - formerly- No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH corresponding to 14 November 2016.](#)

Facts

Facts of the case are summed up in that, holder of National ID number (.....), owner of (...) Establishment, CR No. (...), filed a statement of claim challenging Defendant's decision regarding the imposition of a field inspection fine, amounting to SAR (10,000) for non-compliance with tax invoice requirements, due to the failure to display the VAT registration certificate. Therefore, Plaintiff requests nullification of the imposed fine. Having presented the statement of claim to Defendant, it responded as follows: "First: On Merits: 1. ZATCA's representatives, on 01/06/2021, conducted an on-site inspection of Plaintiff's premises during the field campaign to verify compliance with the Value Added Tax (VAT) Law and its Implementing Regulations. Upon inspection, it was found that



Plaintiff was in violation of Paragraph (8) of Article (8) of the Implementing Regulations of the VAT Law, which states: "A Resident Person who is a Taxable Person and who is registered with the Authority must display the registration certificate at such Taxable Person's main place of business and branches in a manner that is visible to the general public." 2. ZATCA, upon confirming Plaintiff's violation of the provisions of the Value Added Tax (VAT) Law and its Implementing Regulations, as outlined above, imposed a fine of SAR (10,000) on Plaintiff pursuant to its Decision No. (...) dated 14/06/2021, based on Paragraph (3) of Article (45) of the VAT Law, which states: "A fine not exceeding fifty thousand (50,000) riyals shall be imposed on any Person that: 3. violates any other provision of the Law or the Regulations" Defendant representative concluded his Reply requesting that the case be dismissed. End of Reply.

On Tuesday, 01/02/2022, a session was held in accordance with remote litigation procedures, with Defendant present. Plaintiff did not attend despite being notified of session's date and virtual format, nor did they provide any excuse for their absence. Defendant's Representative (...), holder of National ID No., was present in his capacity as ZATCA's Representative by Authorization Letter No. (...), dated 08/03/1442 AH, issued by Deput Governor for Legal Affairs. Given the Plaintiff's absence, the Defendant requested to proceed with the case and issue a decision. Therefore, the Department decided to adjourn the session for deliberation and delivering of its decision.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Order No. (26040) dated 11/06/1441 AH, and the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since Plaintiff filed its case to cancel Defendant's decision on the imposition of a field inspection fine for non-compliance with VAT invoice requirements due to the failure to display the VAT registration certificate, based on the VAT Law and its Implementing Regulations, and since this is a tax dispute, it then falls within the jurisdiction of the Committee for Resolution of Income Tax Violations and Disputes as per Royal Order No. (26040) dated 21/04/1441 AH, and since the case was filed by a person having capacity, and within the period prescribed by law, it is therefore accepted in form.

On Merits: It is evident that, upon reviewing the case documents and the responses from both parties after providing them sufficient time to present their arguments, the dispute between Plaintiff and Defendant concerns on the imposition of a fine for violating the provisions of the VAT Law or its Implementing Regulations due to the failure to display the VAT registration certificate prominently. Plaintiff requests nullification of such fine, asserting that the printing of invoices was prepared electronically, devices were purchased and installed, and the accounting software was set up. In this regard, Paragraph (8) of Article (8) of the Implementing Regulations of the VAT Law states: "A taxable resident person registered with the Authority is required to display the registration certificate at their main place of business and branches, ensuring it is visible to the public." Additionally, Article (45) of the VAT Law states: "A fine not exceeding fifty thousand (50,000) SAR shall be imposed on anyone who: 3. violates any other provision of the Law or the Regulations".

It is established, upon reviewing the entire case file and the defenses contained therein, that Plaintiff seeks the nullification of the fine imposed for violating the provisions of the



VAT Law or its Implementing Regulations due to the failure to display the VAT registration certificate prominently at the premises. Upon reviewing the field inspection report submitted by Defendant, dated (01/06/2021), it is evident that Plaintiff failed to display the VAT registration certificate at the premises and did not contest this matter. Instead, Taxpayer's case focused on the non-collection of VAT, which was not the subject of the violation. Therefore, the Department rules to dismiss the case.

In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

Dismiss Plaintiff's case.

This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-232
Case No.: V-56486-2021

Key words:

Value Added Tax – Field Inspection Fine – VAT Late Registration Fine – Plaintiff's Violation of the Value Added Tax Law and its Implementing Regulations – Case Dismissal.

Abstract

Taxpayer requests annulment of ZATCA's decision regarding the field inspection fine for delayed VAT registration, amounting to SAR 10,000. The claim, regarding late registration fine, is based on an objection to Defendant's decision to impose the fine for VAT late registration. However, Defendant as provided the Department with evidence demonstrating that Taxpayer exceeded the mandatory registration threshold without initiating the registration process, thereby placing himself in violation of the provisions of the law. Therefore, the Department ruled to dismiss the case.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- [Common VAT Agreement of GCC States, November 2016.](#)
- [Implementing Regulations of the Value Added Tax Law, issued by Resolution of the Board of Directors of the General Authority of Zakat and Income -formerly- No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH corresponding to 14 November 2016](#)

Facts

Facts of this case are summarized that, holder of National ID No. (....), owner of (...) Establishment, CR No. (...), filed a statement of claim challenging Defendant's decision regarding the imposition of a VAT late registration fine, amounting to SAR (10,000). Therefore, Plaintiff requests nullification of the imposed fine.

Having presented the statement of claim to Defendant, it responded as follows: First: In from: It was established that Plaintiff exceeded the mandatory registration threshold by reviewing their financial data in accordance with Article (6) and Article (3) of the Implementing Regulations of the Value Added Tax Law. Consequently, the fine was imposed pursuant to Article (41) of the VAT Law. Defendant's representative concluded their memorandum by requesting dismissal of the case. End of Reply.

On Monday, 07/02/2022, the hearing was held remotely in accordance with virtual litigation procedures. Defendant was present, while Plaintiff did not attend despite being duly notified of the session's date and format. Defendant's representative, (...), holder of



National ID No., appeared in his capacity as ZATCA's Representative by Authorization Letter No. (....), dated 08/03/1442 AH, issued by Deput Governor for Legal Affairs. Given Plaintiff's absence, Defendant requested to proceed with the case and issue a decision. Therefore, the Department decided to adjourn the session for deliberation and issue a decision.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Order No. (26040) dated 11/06/1441 AH, and the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since Plaintiff filed its case to cancel Defendant's decision on the imposition of VAT late registration fine, based on Value Added Tax Law and its Implementing Regulations, and since this is a tax dispute, it then falls within the jurisdiction of the Committee for Resolution of Tax Violations and Disputes as per Royal Decree No. (M/113) dated 02/11/1438 AH, and since the case was filed by a person having capacity, and within the period prescribed by law, it is therefore accepted in form.

On Merits: It is evident that, upon reviewing the case documents and the responses from both parties after providing them sufficient time to present their arguments, the case is based on an objection to Defendant's decision regarding the VAT late registration fine, amounting to SAR (10,000), with Plaintiff seeking nullification of such fine. Since evidence was presented to the Department demonstrating that Plaintiff exceeded the mandatory registration threshold without taking the initiative to register, Plaintiff thereby violated the provisions of the law. Consequently, the measures taken by Defendant are consistent with the correct application of the law and are not subject to challenge, necessitating a ruling to dismiss the case.

In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

Dismiss Plaintiff's case.

This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.



(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Riyadh

Decision No.: VR-2022-234
Case No.: V-62680-2021

Key words:

Value Added Tax – Field Inspection Fine – Failure to Display Prices Inclusive of Tax – Simplified Invoice Requirements – Fine for Violation of Law Provisions – Violation of the Value Added Tax Law and its Implementing Regulations – Case Dismissal.

Abstract

Taxpayer requests annulment of ZATCA's decision regarding the field inspection fine for failing to display prices inclusive of tax, amounting to SAR 10,000. The dispute, in relation to the fine for violating law provisions, revolves around Defendant's imposition of a fine for violating the provisions of law or its implementing regulations on Taxpayer. Upon review, the Department demonstrated that the invoice presented by Defendant lacked the statements "Tax payable" or "the Consideration is inclusive of Tax". Conclusion: The case is dismissed.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- Paragraph (3) of Article (45) of [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- [Common VAT Agreement of GCC States, November 2016.](#)
- Paragraph (E/8) of Article (53) of [the Implementing Regulations of the Value Added Tax Law, issued by Resolution of the Board of Directors of the General Authority of Zakat and Income -formerly- No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH corresponding to 14 November 2016](#)

Facts

Facts of this case are summarized that, holder of National ID No. (.....), owner of (....) Establishment, CR No. (...), filed a statement of claim challenging Defendant's decision regarding the imposition of a field inspection fine, amounting to SAR (10,000). Therefore, Plaintiff requests nullification of the imposed fine.

Upon presenting the case to Defendant, ZATCA responded: "ZATCA's representatives, on 06/04/2021, conducted an on-site inspection of Plaintiff's premises and examined the simplified invoices issued to verify compliance with the Value Added Tax (VAT) Law and its Implementing Regulations. Upon inspection, it was found that Plaintiff was in violation of Article (2) of the VAT Law, which states: "Tax shall be imposed on the import and supply of Goods and Services in accordance with the provisions stipulated in the Agreement, the Law and the Regulations". In addition, Paragraph (8) of Article (53) of the Implementing Regulations of the Value Added Tax Law stipulates: "A simplified tax



invoice must include the following details:.... E) the Tax payable or a statement that the Consideration is inclusive of Tax in respect of the Supply of the Goods or services”. As the invoices did not indicate that the prices were inclusive of VAT, ZATCA requests the committee to rule for the dismissal of the case.

On Tuesday, 15/02/2022, a session was held to review the case filed by (...), National ID No. (...), against ZATCA. Upon calling the parties to the case, neither Plaintiff nor their representative appeared, despite having been duly notified of the session date via the email registered in the case file. However, (...), National ID No. (...), attended as ZATCA’s representative under Authorization No. (...). The Department, upon verifying the presence of ZATCA’s representative's identity by presenting his national ID card through an enlarged window and confirming their capacity, decided to proceed with hearing the case. Plaintiff requested in their case the cancellation of ZATCA’s decision to impose a field inspection fine of 10,000 SAR, based on the details outlined in the statement of claim. When ZATCA’s representative was asked about his response, he confirmed the validity of ZATCA’s decision based on details mentioned in Reply submitted in response to Plaintiff’s case. Given the above and since Plaintiff or their representative did not appear for the session despite being notified, and as the case was ready for adjudication, after deliberation, the Department closed the pleadings, adjourned the session, and proceeded to issue its decision.

Grounds

After reviewing the Case documents, and upon thorough examination, and in light of the Income Tax Law promulgated by Royal Decree No. (M/1) dated 15/01/1425 AH, as amended and its Implementing Regulations issued pursuant to the Minister of Finance's Decision No. (1535) dated 11/6/1425 AH, as amended, Value Added Tax Law promulgated by Royal Decree No. (M/113) dated 02/11/1438 AH, as amended and the Implementing Regulations issued by the decision of GAZT's BOD No. (3839) dated 14/12/1438 AH, as amended, Tax Dispute and Violation Committee Procedures issued by Royal Order No. (26040) dated 11/06/1441 AH, and the Common VAT Agreement of GCC States, and all relevant laws and regulations;

In Form: Since Plaintiff filed its case to cancel Defendant’s decision on the imposition of a field inspection fine, based on Value Added Tax Law and its Implementing Regulations, and since this is a tax dispute, it then falls within the jurisdiction of the Committee for Resolution of Income Tax Violations and Disputes as per Royal Order No. (26040) dated 21/04/1441 AH, and since the case was filed by a person having capacity, and within the period prescribed by law, it is therefore accepted in form.

On Merits: It is evident that, upon reviewing the case documents and the responses from both parties after providing them sufficient time to present their arguments, the dispute between concerns on Defendant’s imposition of a fine for violating the provisions of the VAT Law or its Implementing Regulations. The fine, amounting to SAR (10,000), was imposed due to Plaintiff’s failure to indicate that prices were inclusive of tax. Defendant submitted invoices numbered (...), (...), and (...), which were found to lack the statements "Tax payable" or “the Consideration is inclusive of Tax”. Consequently, the Department confirmed that Plaintiff violated Paragraph (e/8) of Article (53) of the Implementing Regulations of the VAT Law, which states: “A Simplified Tax Invoice must include the following details: the Tax payable or a statement that the Consideration is inclusive of Tax in respect of the Supply of the Goods or services”. As a result, the Department concluded that Defendant’s actions were in accordance with Paragraph (3) of Article 45 of the Value-Added Tax Law. Based on the foregoing, the Department unanimously decided as follows:



Decision

Dismiss Plaintiff's case.

The decision was made in the presence of both parties, and the Department has allocated thirty days for receipt of decision copy. The Department may extend this period by an additional thirty days if necessary, according to Article (42) of Tax Dispute and Violation Committee Procedures, this decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-241
Case No.: V-55457-2021

Key words:

Value Added Tax – Final Reassessment – Zero-Rated Taxable Exports – Return Error
Fine – Late Payment Fine – Case Dismissal.

Abstract

Taxpayer seeks annulment of ZATCA's decision regarding the final reassessment for the VAT period of Q2 2018, as well as the return error and late payment fines for the subsequent months of the tax period. The dispute, concerning (Zero-Rated Taxable Exports), arises from ZATCA's reassessment of the tax return in question. The Department observed that Plaintiff submitted invoices issued to a company but failed to provide any additional documents proving that the service was rendered to a customer outside the Kingdom. Moreover, as for (Return Error Fine), the dispute stems from the imposition of fine for return errors resulting from ZATCA's reassessment of the tax return for the relevant period. The Department noted that since the request in the first item was dismissed, the related matters follow the same ruling. Conclusion: The case is dismissed.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Paragraph \(1\) of Article \(42\) of Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- [Common VAT Agreement of GCC States, November 2016.](#)
- [Articles \(14\) and \(33.1\) of the Implementing Regulations of the Value Added Tax Law, issued by Resolution of the Board of Directors of the General Authority of Zakat and Income -formerly- No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH corresponding to 14 November 2016.](#)

Facts

The facts of this case are summed up as follows: (.....) Company, C.R. No.(...), represented by (...), holder of Resident ID No. (...), in his capacity as the director of Plaintiff Company, filed a statement of claim, challenging Defendant's decision regarding the final reassessment for the VAT period of Q2 2018 , as well as the reassessment fines. Plaintiff seeks annulment of the decision along with the imposed fines.

Having presented the statement of claim to Defendant, it responded as follows: First: In from: We would like to inform you that Plaintiff had a pending objection under review by ZATCA as of 20/02/2021 under Ref No. (...). Subsequently, Taxpayer (Plaintiff) escalated their objection to the General Secretariat before ZATCA issued its decision to reject the objection request dated 27/06/2021. In light of the foregoing, it is evident that Plaintiff



filed their case before ZATCA had ruled on the objection and before the lapse of the 90-day period stipulated in Article (2) of Tax Dispute and Violation Committee Procedures, which states: "Any person against whom a decision has been issued by GAZT may file an objection before it within 60 days from the date of notification thereof. GAZT shall decide on the objection within 90 days from the date of filing. If a decision is made to deny the objection or a period of 90 days lapses without deciding thereon, a Taxpayer may, within 30 days from the date of being notified of the denial of the objection or upon the lapse of 90 days without a decision thereon, take any of the following actions: 1. Request the referral of the objection to the internal committee for settlement. If a Taxpayer rejects the internal committee's decision or if the period specified in the Settlement Procedures lapses without reaching a settlement, the Taxpayer may file a case before the dispute committee against GAZT's decision within 30 days from the date of being notified of the internal committee's decision or upon the lapse of the period specified in the Settlement Procedures without reaching a settlement. Such case shall not include issues settled with the internal committee. 2. File a case directly before the dispute committee". It is evident that Plaintiff violated the procedural regulations, as the right to file a case arises within thirty (30) days from the date of notification of the rejection of their objection. Therefore, the case should have been filed after the issuance of ZATCA's decision. Accordingly, the filed case is premature. Second: On Merits: 1. Regarding Plaintiff's objection to the adjustment of the zero-rated taxable exports for Q2 2018: The reassessment resulted in the adjustment of the zero-rated taxable exports item and the complete exclusion of the core sales value, due to non-compliance with the conditions set forth in Article (33) of the Implementing Regulations of the VAT Law, which defines services rendered to non-residents of GCC countries. 2. ZATCA, during the objection phase, determined that the services were rendered to a resident in the Kingdom (... Company) and the amount in question pertained to the installation and maintenance of equipment and machinery under a contract signed with (...) Company. Accordingly, ZATCA's action to subject the amount to the local taxable sales at the standard rate was in compliance with the regulations. Additionally, there were services rendered to (...) Company, which has a branch within the Kingdom, and the ultimate beneficiary of these services within the Kingdom. Plaintiff was requested to provide clarifications regarding the nature of the services rendered to customers. It is important to note that the zero-rate does not apply if the customer is a resident in any member state. Furthermore, the zero-rate is also excluded if the service is utilized within the Kingdom by the ultimate beneficiary, which includes the customer owning a fixed establishment or a place of residence in the Kingdom or another member state. Since the customers in question own branches within the Kingdom, it is evident that the conditions outlined in Article (33) of the VAT Implementing Regulations do not apply in this case. 3. As for return error and late payment fines for the disputed periods: As a result of the examination and assessment process for the disputed tax period, a return error fine was imposed, as well as a late payment fine for the months following the disputed tax period. Defendant's representative concluded his memorandum by requesting the dismissal of the case on procedural grounds and the rejection of the claim. End of Reply.

On Tuesday, 30/11/2021, a session was held, where Defendant's representative (...), holder of National ID No., in his capacity as ZATCA's Representative by Authorization Letter No. (...), dated 08/03/1442 AH, issued by the Deputy Governor for Legal Affairs. However, neither Plaintiff nor their representative appeared, despite being legally notified of the session date. The Department, based on the principle "One who abandons, is abandoned" and in light of the foregoing, unanimously resolved to remove the case from the session schedule in accordance with Article (20) of Tax Dispute and Violation Committee Procedures.



Plaintiff, on 01/12/2021, submitted a request to proceed with the case, and a session was scheduled for Monday, 07/02/2022, in accordance with remote litigation procedures, as both parties wished to proceed with the case. Mr. (...), holder of National ID No., in his capacity as Plaintiff's representative under PoA No. (...), as well as Defendant's representative (...), holder of National ID No. (...), in his capacity as ZATCA's Representative by Authorization Letter No. (...), dated (...) issued by Deputy Governor for Legal Affairs. Having asked Plaintiff about her case, she responded that she admits what is mentioned in her statement of claim submitted to General Secretariat of Zakat, Tax and Customs Committees and confirms all facts contained therein. Having asked Defendant's representative about his reply to Plaintiff claims, he maintained his answers contained in his reply deposited in case file. Having asked the parties to the case if they had any other statements, they decided to suffice with their earlier submissions. Therefore, the Department decided that parties to the Case should temporarily leave the virtual room for deliberation and adjudication.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Order No. (26040) dated 11/06/1441 AH, and the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since Plaintiff filed its case to cancel Defendant's decision regarding the final reassessment for the VAT period of Q2 2018 and the fines resulting from this reassessment, based on Value Added Tax Law and its Implementing Regulations, and since this is a tax dispute, it then falls within the jurisdiction of the Committee for Resolution of Tax Violations and Disputes as per Royal Decree No. (M/113) dated 02/11/1438 AH, and since the case was filed by a person having capacity, and within the period prescribed by law, it is therefore accepted in form.

On Merits: The Department, upon careful consideration of the Case documents and considering the responses of both parties after allowing sufficient time for them to present their arguments, determined the following; First: Regarding zero-rated taxable exports: It is evident that the dispute arises ZATCA's reassessment of the tax return in question, as ZATCA reclassified the supplies as subject to the standard tax rate due to Plaintiff's failure to meet the conditions set forth in Article (33) of the Implementing Regulations of the Value Added Tax Law. Furthermore, Article (14) of the same Regulations stipulates: "Without prejudice to Article two of the Law, for the purposes of applying the Agreement and the Law in the Kingdom, the Tax is imposed on all Taxable Supplies of Goods and Services made by a Taxable Person in the Kingdom in the course of carrying on their Economic Activity or those received by a Taxable Person in the Kingdom in the course of carrying on their Economic Activity where the Reverse Charge Mechanism applies, as well as on the Import of Goods into the Kingdom". In addition, Paragraph (1) of Article (33) of the Implementing Regulations of the Value Added Tax Law states: "a Supply of services made by a Taxable Person to a Customer without a Place of Residence in any Member State shall be zero-rated. The first Paragraph of this Article shall not be applicable in any of the following cases: a) If the place of Supply of the services is in any Member State pursuant to the Special Cases listed in Articles seventeen to twenty-one of the Agreement; b) Where a taxable person does not have evidence that the Customer is a Resident of any



Member State and holds evidence that they are resident outside the GCC states. c) If the Customer or any other Person benefits directly from the services when such Customer or Person is situated in a Member State. d) If the services are performed in relation to tangible Goods which are located within a Member State during the Supply. e) The taxable person intends for the services to be consumed by the customer outside the territory of the GCC states. f) The taxable person lacks evidence that the services will be utilized within the territory of the GCC states.” It is clear, upon reviewing the entire case file and the defenses contained therein, that Plaintiff objects to defendant’s adjustment of the local taxable sales at the standard rate under the tax return assessment notice. Plaintiff asserts that these sales qualify as zero-rated exports, while Defendant argues that the services rendered do not meet the conditions outlined in Article (33) of the Implementing Regulations, as the services were utilized within the Kingdom. Specifically, they were rendered to a resident (... Company) in the Kingdom and additionally provided to the branch of (...) Company, with the ultimate beneficiary of the services located within the Kingdom.

It is evident, upon examining the facts of the case, that Plaintiff submitted invoices issued to (...) Company without providing any additional documents proving that the service was provided to a customer outside the Kingdom. Notably, Plaintiff referenced the submission of an export statement and customs clearance in their statement of claim. However, since there is no evidence that the service was provided to a customer outside the Kingdom, the application of the zero-rate to the sales is subject to the conditions stipulated in Article (33) of the Implementing Regulations of the Value Added Tax Law. Accordingly, the Department decided to dismiss Plaintiff’s case.

Second: Fine for Error in Return: It is evident that the dispute revolves around the imposition of a return error fine resulting from ZATCA’s reassessment of the tax return for the disputed tax period. Paragraph (1) of Article (42) of the Value Added Tax Law states: “Any Person who files an incorrect Tax Return to the Authority, amends a Tax Return after filing or files any document with the Authority in relation to the Tax due by him which results in an error in the calculation of the Tax amount resulting in an amount that is less than the Tax due shall be liable to a fine equal to (50%) of the value of the difference between the calculated Tax and the Tax due.”

It appears that the return error fine resulted from Defendant’s adjustment of Plaintiff’s tax return for the disputed tax period. Whereas, Defendant identified discrepancies between the information provided by Plaintiff in their tax return and the outcome of the audit process, which revealed outstanding tax differences that were not declared by Plaintiff in their tax period, which constitutes a violation of regulatory provisions. Since the request in the first section has been denied, and related matters follow the same ruling, in accordance with Paragraph (1) of Article (42) of the Value-Added Tax (VAT) Law, the Department decided to dismiss Plaintiff’s case. Furthermore, the same ruling and reasoning apply to the late payment fine.

In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

Dismiss Plaintiff’s case.

This decision was issued in the presence of both litigants, and Department set a thirty days’ period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day



following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-242
Case No.: V-55468-2021

Key words:

Value-Added Tax – Admissibility of Case in Form and Dismissal on Merits – Final Reassessment – Exports – Return Error Fine – Late Payment Fine.

Abstract

Taxpayer seeks annulment of ZATCA's decision regarding the final reassessment for the VAT period of Q3 2018, as well as the return error and late payment fines for the subsequent months of the tax period. The dispute, concerning (Zero-Rated Taxable Exports), arises from ZATCA's reassessment of the tax return in question. The Department observed that Plaintiff submitted invoices issued to a company but failed to provide any additional documents proving that the service was rendered to a customer outside the Kingdom. Moreover, as for (Return Error Fine), the dispute stems from the imposition of fine for return errors resulting from ZATCA's reassessment of the tax return for the relevant period. The Department noted that since the request in the first item was dismissed, the related matters follow the same ruling. Conclusion: The case is dismissed.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- Paragraph (1) of Article (42) of [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- [Common VAT Agreement of GCC States, November 2016.](#)
- Articles (14) and (33.1) of [the Implementing Regulations of the Value Added Tax Law, issued by Resolution of the Board of Directors of the General Authority of Zakat and Income -formerly- No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH corresponding to 14 November 2016](#)

Facts

The facts of this case are summed up in that Company, Commercial Register No. (...), represented by (...), holder of Resident ID No. (...), in his capacity as the director of Plaintiff Company, filed a statement of claim, challenging Defendant's decision regarding the final reassessment for VAT period of Q3 2018, as well as the reassessment fines. Plaintiff seeks annulment of the decision along with the imposed fines.

Having presented the statement of claim to Defendant, it responded as follows: First: In from: We would like to inform you that Plaintiff had a pending objection under review by ZATCA as of 20/02/2021 under Ref No. (...). Subsequently, Taxpayer (Plaintiff) escalated their objection to the General Secretariat before ZATCA issued its decision to reject the objection request dated 27/06/2021. In light of the foregoing, it is evident that Plaintiff



filed their case before ZATCA had ruled on the objection and before the lapse of the 90-day period stipulated in Article (2) of Tax Dispute and Violation Committee Procedures, which states: "Any person against whom a decision has been issued by GAZT may file an objection before it within 60 days from the date of notification thereof. GAZT shall decide on the objection within 90 days from the date of filing. If a decision is made to deny the objection or a period of 90 days lapses without deciding thereon, a Taxpayer may, within 30 days from the date of being notified of the denial of the objection or upon the lapse of 90 days without a decision thereon, take any of the following actions: 1. Request the referral of the objection to the internal committee for settlement. If a Taxpayer rejects the internal committee's decision or if the period specified in the Settlement Procedures lapses without reaching a settlement, the Taxpayer may file a case before the dispute committee against GAZT's decision within 30 days from the date of being notified of the internal committee's decision or upon the lapse of the period specified in the Settlement Procedures without reaching a settlement. Such case shall not include issues settled with the internal committee. 2. File a case directly before the dispute committee". It is evident that Plaintiff violated the procedural regulations, as the right to file a case arises within thirty (30) days from the date of notification of the rejection of their objection. Therefore, the case should have been filed after the issuance of ZATCA's decision. Accordingly, the filed case is premature. Second: On Merits: 1. Regarding Plaintiff's objection to the adjustment of the zero-rated taxable exports for Q3 2018: The reassessment resulted in the adjustment of the zero-rated taxable exports item and the complete exclusion of the core sales value, due to non-compliance with the conditions set forth in Article (33) of the Implementing Regulations of the VAT Law, which defines services rendered to non-residents of GCC countries. 2. ZATCA, during the objection phase, determined that the services were rendered to a resident in the Kingdom (... Company) and the amount in question pertained to the installation and maintenance of equipment and machinery under a contract signed with (...) Company. Accordingly, ZATCA's action to subject the amount to the local taxable sales at the standard rate was in compliance with the regulations. Additionally, there were services rendered to (...) Company, which has a branch within the Kingdom, and the ultimate beneficiary of these services within the Kingdom. Plaintiff was requested to provide clarifications regarding the nature of the services rendered to customers. It is important to note that the zero-rate does not apply if the customer is a resident in any member state. Furthermore, the zero-rate is also excluded if the service is utilized within the Kingdom by the ultimate beneficiary, which includes the customer owning a fixed establishment or a place of residence in the Kingdom or another member state. Since the customers in question own branches within the Kingdom, it is evident that the conditions outlined in Article (33) of the VAT Implementing Regulations do not apply in this case. 3. As for return error and late payment fines for the disputed periods: As a result of the examination and assessment process for the disputed tax period, a return error fine was imposed, as well as a late payment fine for the months following the disputed tax period. Defendant's representative concluded their memorandum by requesting dismissal of the case in form and on merits. End of Reply.

On Tuesday, 30/11/2021, a session was held, where Defendant's representative (...), holder of National ID No., appeared in his capacity as ZATCA's Representative by Authorization Letter No. (...), dated 08/03/1442 AH, issued by the Deputy Governor for Legal Affairs. However, neither Plaintiff nor their representative appeared, despite being legally notified of the session date. The Department, based on the principle "One who abandons, is abandoned" and in light of the foregoing, unanimously resolved to remove the case from the session schedule in accordance with Article (20) of Tax Dispute and Violation Committee Procedures.



On 01/12/2021, Plaintiff submitted a request to proceed with the Case. Therefore, a session was held on Monday, 07/02/2022, in accordance with remote litigation procedures, as both parties wished to proceed with the case. Mr. (...), ID No. (...) attended in his capacity as Plaintiff's representative under PoA No. (...), as well as Defendant's representative (...), holder of National ID No., in his capacity as ZATCA's Representative by Authorization Letter No. (...), dated 08/03/1442 AH issued by Deputy Governor for Legal Affairs. Having asked Plaintiff's Representative regarding their case, they reiterated the arguments presented in the statement of claim submitted to the General Secretariat of Tax Committees. Having asked Defendant's representative about his reply, he affirmed adherence to the arguments outlined in the memorandum of reply. Having asked both parties to the case if they had any other statements, they decided to suffice with their earlier submissions. Therefore, the Department decided that parties to the Case should temporarily leave the virtual room for deliberation and adjudication.

Grounds

After due examination and having reviewed the case file, the Value Added Tax Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, the Implementing 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, the Tax Dispute and Violation Committee Procedures issued by Royal Order No. (26040) dated 11/06/1441A H, and the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form, Since Plaintiff filed this Case for the purpose of canceling Defendant's decision regarding the final reassessment for the VAT period of Q3 2018, as well as the reassessment fines, based on Value Added Tax Law and its Implementing Regulations, and since this is a tax dispute, it then falls within the jurisdiction of the Committee for Resolution of Tax Violations and Disputes as per Royal Decree No. (M/113) dated 02/11/1438 AH, and since the case was filed by a person having capacity, and within the period prescribed by law, it is therefore accepted in form.

On Merits: Having examined Case documents and answer of both parties after giving them a period to express and submit their statements and memorandums, the Department therefore found that the dispute relates to the following, First: Regarding zero-rated taxable exports: It is evident that the dispute arises ZATCA's reassessment of the tax return in question, as ZATCA reclassified the supplies as subject to the standard tax rate due to Plaintiff's failure to meet the conditions set forth in Article (33) of the Implementing Regulations of the Value Added Tax Law. Furthermore, Article (14) of the same Regulations stipulates: "Without prejudice to Article two of the Law, for the purposes of applying the Agreement and the Law in the Kingdom, the Tax is imposed on all Taxable Supplies of Goods and Services made by a Taxable Person in the Kingdom in the course of carrying on their Economic Activity or those received by a Taxable Person in the Kingdom in the course of carrying on their Economic Activity where the Reverse Charge Mechanism applies, as well as on the Import of Goods into the Kingdom". In addition, Paragraph (1) of Article (33) of the Implementing Regulations of the Value Added Tax Law states: "a Supply of services made by a Taxable Person to a Customer without a Place of Residence in any Member State shall be zero-rated. The first Paragraph of this Article shall not be applicable in any of the following cases: a) If the place of Supply of the services is in any Member State pursuant to the Special Cases listed in Articles seventeen to twenty-one of the Agreement; b) Where a taxable person does not have evidence that the Customer is a Resident of any Member State and holds evidence that they are resident outside the GCC states. c) If the Customer or any other Person benefits directly from the services when such Customer or Person is situated in a Member State. d) If the services



are performed in relation to tangible Goods which are located within a Member State during the Supply. e) The taxable person intends for the services to be consumed by the customer outside the territory of the GCC states. f) The taxable person lacks evidence that the services will be utilized within the territory of the GCC states.”

It is clear, upon reviewing the entire case file and the defenses contained therein, that Plaintiff objects to defendant’s adjustment of the local taxable sales at the standard rate under the tax return assessment notice. Plaintiff asserts that these sales qualify as zero-rated exports, while Defendant argues that the services rendered do not meet the conditions outlined in Article (33) of the Implementing Regulations, as the services were utilized within the Kingdom. Specifically, they were rendered to a resident (... Company) in the Kingdom and additionally provided to the branch of (...) Company, with the ultimate beneficiary of the services located within the Kingdom.

It is evident, upon examining the facts of the case, that Plaintiff submitted invoices issued to (...) Company without providing any additional documents proving that the service was provided to a customer outside the Kingdom. Notably, Plaintiff referenced the submission of an export statement and customs clearance in their statement of claim. However, since there is no evidence that the service was provided to a customer outside the Kingdom, the application of the zero-rate to the sales is subject to the conditions stipulated in Article (33) of the Implementing Regulations of the Value Added Tax Law. Accordingly, the Department decided to dismiss Plaintiff’s case.

Second: Fine for Error in Return: It is evident that the dispute revolves around the imposition of a return error fine resulting from ZATCA’s reassessment of the tax return for the disputed tax period. Paragraph (1) of Article (42) of the Value Added Tax Law states: “Any Person who files an incorrect Tax Return to the Authority, amends a Tax Return after filing or files any document with the Authority in relation to the Tax due by him which results in an error in the calculation of the Tax amount resulting in an amount that is less than the Tax due shall be liable to a fine equal to (50%) of the value of the difference between the calculated Tax and the Tax due.”

It appears that the return error fine resulted from Defendant’s adjustment of Plaintiff’s tax return for the disputed tax period. Whereas, Defendant identified discrepancies between the information provided by Plaintiff in their tax return and the outcome of the audit process, which revealed outstanding tax differences that were not declared by Plaintiff in their tax period, which constitutes a violation of regulatory provisions. Since the request in the first section has been denied, and related matters follow the same ruling, in accordance with Paragraph (1) of Article (42) of the Value-Added Tax (VAT) Law, the Department decided to dismiss Plaintiff’s case.

Furthermore, the same ruling and reasoning apply to the late payment fine.

In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

Dismiss Plaintiff’s case.

This decision was issued in presence of both parties. Department set thirty (30) days from date for receiving copy of decision, and may extend delivery date for another (30) days. Parties hereto may request to appeal decision within thirty (30) days from the day following the date specified for its receipt, whereafter it shall become final and enforceable.



May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-245
Case No.: V-51354-2021

Key words:

Value Added Tax – Final Assessment – Fine for Obstructing ZATCA's Employee –
Issuance of Decision Prematurely – Admissibility of Plaintiff's Case.

Abstract

Taxpayer requests annulment of ZATCA's decision regarding the final reassessment for the VAT period of Q1 2020, as well as the fine for obstructing ZATCA's employee, amounting to SAR 10,000. With regard to the final assessment, Plaintiff seeks annulment of Defendant's decision on the grounds of issues with the invoices requested by ZATCA. The Department observed that Plaintiff submitted the required documents and data to Defendant. However, since there is no evidence that ZATCA has reviewed these documents, its decision to reject the request is considered premature. Therefore, the Department ruled to accept Plaintiff's case and annul Defendant's decision along with the imposed fine for being issued prematurely.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- [Common VAT Agreement of GCC States, November 2016.](#)
- [Implementing Regulations of the Value Added Tax Law, issued by Resolution of the Board of Directors of the General Authority of Zakat and Income -formerly- No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH corresponding to 14 November 2016](#)

Facts

The facts of this Case are summed up in that Plaintiff, ..., holder of National ID No. (...), acting on their own behalf, filed a statement of claim objecting to Defendants decision regarding the final assessment for the VAT period of Q1 2020, as well as the fine for obstructing ZATCA's employee, amounting to SAR 10,000. Therefore, Plaintiff seeks annulment of the decision and the imposed penalty.

The Defendant responded with a memorandum of reply, stating the following: First: On Merits: - Regarding the exclusion of the purchase value: ZATCA did not find any invoices that meet the description of a correct tax invoice as stipulated in Article (53) of the Implementing Regulations of the VAT Law, forfeiting Plaintiff's right to deduction due to the failure to meet the deduction conditions outlined in Article (48) of the Common VAT



Agreement of GCC States. Moreover, ZATCA requested Plaintiff to provide supporting documents to substantiate their position, in accordance with Paragraph (6) of Article (66) of the relevant Regulations. - As for fine for Obstructing ZATCA's employee: Plaintiff failed to submit the documents requested by the employee, resulting in obstructing the employee from performing their assigned tasks and duties. Consequently, the fine was imposed in accordance with Paragraph (2) of Article (45) of the Value-Added Tax (VAT) Law, which states: "A fine not exceeding fifty thousand (50,000) riyals shall be imposed on any Person that: 2. prevents or obstructs the employees of the Authority or any one working for the Authority from performing their duties." Defendant representative concluded his Reply requesting that the case be dismissed. End of Reply.

On Monday, 07/02/2022 AD, a session was held in accordance with remote litigation procedures. Both parties wished to proceed with the case. appeared in their own capacity, with National ID No. (...), and Defendant's representative (...), holder of National ID No., in his capacity as ZATCA's Representative by Authorization Letter No. (....), dated (.....) issued by Deputy Governor for Legal Affairs. Having asked Plaintiff about his case, he responded that he admits what is mentioned in his statement of claim submitted to General Secretariat of Zakat, Tax and Customs Committees and confirms all facts contained therein. Having asked Defendant's representative about his reply to Plaintiff claims, he maintained his answers contained in his reply deposited in case file. Having asked the parties to the case if they had any other statements, they decided to suffice with their earlier submissions. Therefore, the Department ordered that the parties be temporarily dismissed from the virtual session for deliberation and delivery of its decision.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Order No. (26040) dated 11/06/1441 AH, and the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since Plaintiff filed its case to cancel Defendant's decision on the imposition of a field inspection fine for non-compliance with tax invoice requirements, based on Value Added Tax Law and its Implementing Regulations, and since this is a tax dispute, it then falls within the jurisdiction of the Committee for Resolution of Tax Violations and Disputes as per Royal Order No. (26040) dated 21/04/1441 AH, and since the case was filed by a person having capacity, and within the period prescribed by law, it is therefore accepted in form.

On Merits: It is evident, upon reviewing the case file and the defenses contained therein, that Plaintiff seeks annulment of Defendant's decision, citing issues with the invoices requested by ZATCA. The case attachments demonstrate that Plaintiff was notified on 09/05/2021 of a request for additional information, with a 20-day deadline to submit the required details. The requested information included a detailed breakdown of taxable purchases at the standard rate, matching the original VAT return for Q4 2019, specifying the supplier's tax number, invoice number, invoice date, invoice amount, VAT amount, and supplier name, in addition to 14 purchase invoices. Plaintiff submitted the required documents within the specified period, while Defendant proceeded to cancel the objection request on 14/05/2021, before the deadline had expired. The Department observed that Plaintiff submitted the required documents and data to Defendant. However, since there



is no evidence that ZATCA has reviewed these documents, its decision to reject the request is considered premature. The Department, as for the imposition of a fine on Plaintiff for allegedly obstructing Defendant's employee, disagrees with ZATCA, as Plaintiff's failure to provide the documents would automatically result in the issuance of an assessment decision based on the information available to ZATCA. Consequently, Taxpayer would bear responsibility for any shortcomings due to their own negligence. Given this, the Department finds the decision to impose the fine invalid. For these reasons, and after due legal deliberation, the Department unanimously decides as follows:

Decision

Accept Plaintiff's case and annul Defendant's decision along with the imposed fine for being issued prematurely.

This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

Appellate

The Appellate Committee decided to uphold the appealed decision.



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-257
Case No.: V-54804-2021

Key words:

Value-Added Tax – VAT Refund – Real Estate Supply – Tax Invoice.

Abstract

Plaintiff seeks to compel Defendant to reimburse the amount of SAR 43,000, paid as Value Added Tax (VAT), resulting from the supply of a property for SAR 1,407,960 (one million four hundred seven thousand nine hundred sixty riyals) in relation to a plot of land. The dispute between Plaintiff and Defendant revolves around Plaintiff's claim that Defendant owes VAT amounting to SAR (43,000) due to the real estate supplies in question. The Department observed that Plaintiff failed to provide evidence substantiating the claim or demonstrating that they were registered for VAT at the time of sale and had issued a tax invoice accordingly. Accordingly, the Department ruled to dismiss the case.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- Article (1) and Paragraph (2) of Article (25) of the Common VAT Agreement of GCC States, November 2016.
- [Implementing Regulations of the Value Added Tax Law, issued by Resolution of the Board of Directors of the General Authority of Zakat and Income -formerly- No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH corresponding to 14 November 2016](#)

Facts

Facts of this Case are summed up in that Plaintiff, ..., holder of National ID No. (...), filed a statement of claim against (...) Bank, CR No. (...), seeking to obligate Defendant to refund the amount of SAR 43,000, representing VAT paid on a property sale of SAR 1,407,960 (one million four hundred seven thousand nine hundred sixty riyals). This pertains to Plot No. (...) Of Plan No. (...), located in (...) neighborhood In Unaizah. Plaintiff submitted a memorandum wherein replied as follows: "With reference to the case registered with the Committee under number (V-2021-54804), filed by (Plaintiff) against (Bank), please find below our response: First: Content of Plaintiff's case: Plaintiff's claim states that the Bank purchased a property for one of its clients, and Plaintiff was unable to recover the tax due to the Bank's utilization of the first home exemption certificate. Accordingly, Plaintiff requests that the Bank be ordered to pay the VAT amount of SAR



43,000. Second: Bank Defense: In Form: Plaintiff's claim against Defendant, the Bank, is filed against a party lacking capacity. Since Defendant (the Bank) has duly remitted the Value Added Tax (VAT) to GAZT in accordance with the applicable regulations, it is not legally permissible for Plaintiff to file a claim against the Bank, as the case is brought against a party lacking capacity. (Attachment 1) • On Merits: It is well established to the esteemed Committee that the obligations of contracting parties are determined at the time of signing the contract. Plaintiff's execution of the property transfer serves as evidence that all obligations of third parties towards Plaintiff regarding the sale transaction have been discharged and that Plaintiff has received all amounts related to completing the transaction, which precludes Plaintiff from seeking reimbursement from third parties for any additional costs or amounts beyond the agreed-upon amount for the supply. The seller does not have the right to claim any additional amounts or costs from third parties once the contract has been concluded and a specific amount has been agreed upon. Allowing such claims would disrupt legal positions and impose unforeseen financial burdens on third parties beyond the agreed amounts. Furthermore, Plaintiff failed to provide any tax invoice or proof of registration as a taxable entity under the VAT Law at the time of the transaction, demonstrating Plaintiff's negligence and non-compliance with statutory obligations. As such, Plaintiff bears full responsibility, and it is a well-established principle that the negligent party is the one who should bear the loss. Consequently, Plaintiff must be held accountable for their own actions in relation to third parties. Third: Requests: Based on the foregoing, (...) Bank respectfully requests that Plaintiff's claim be dismissed for being filed against a party lacking capacity and, alternatively, dismiss Plaintiff's claim due to the invalidity of their allegations." End of Answer.

A session was held on Sunday, 30/01/2022, in accordance with remote litigation procedures. Upon calling the parties to the case, neither Plaintiff nor their representative appeared. However, ..., holder of National ID No., attended in their capacity as Defendant's representative under PoA No. (...). Having questioned about their response to Plaintiff's claim, Defendant's representative affirmed their reliance on the arguments presented in the memorandum of reply. As the case was ready for adjudication, and following the conclusion of the statements made by the attending party, the Department decided to temporarily clear the virtual courtroom for deliberation and issuance of the decision.

Grounds

After due examination and having reviewed the case file, the Value Added Tax Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, the Implementing 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, the Tax Dispute and Violation Committee Procedures issued by Royal Order No. (26040) dated 11/06/1441 AH, and the Common VAT Agreement of GCC States, and all relevant laws and regulations.

Since Plaintiff filed its case to oblige Defendant to refund the amount of SAR 43,000, representing the VAT paid, based on Value Added Tax Law and its Implementing Regulations, and since this is a tax dispute, it then falls within the jurisdiction of the Committee for Resolution of Income Tax Violations and Disputes as per Royal Order No. (26040) dated 21/04/1441 AH, and since the case was filed by a person having capacity, and within the period prescribed by law, it is therefore accepted in form.

On Merits, it is evident that, upon reviewing the case documents and the responses from both parties after providing them sufficient time to present their arguments, the dispute between Plaintiff and Defendant concerns on Plaintiff's claim that Defendant owes VAT



amounting to SAR (43,000) due to the real estate supplies in question. There is no disagreement that the obligation to pay VAT falls on the buyer, while the responsibility for remitting thereof lies with the seller. Furthermore, the general principle is that the sale price is deemed to include the VAT amount, in accordance with the provisions of the Common VAT Agreement of GCC States, where the definition of the term "consideration" in Article (1) thereof states: "Any amount received or to be received by the taxable supplier from the customer or a third party for the supply of goods or services, including VAT." Additionally, Paragraph (2) of Article (25) of the same Agreement states: "... "published prices in the local market for Goods and Services must include VAT". Since no statutory provision explicitly exempts real estate from this rule, and given that Plaintiff did not dispute Defendant's assertions regarding the sale transaction, the general principle remains that "Muslims must abide by their conditions (which they have made), except for a condition which makes unlawful something which is lawful, or makes lawful something which is unlawful". The offer, acceptance, contracting parties, and the subject matter (the sold item and the price) constitute the pillars of a sale, without which the sale is invalid. Since the price was determined as previously stated, any additional burden imposed on the buyer afterward without legal basis undermines their intent and unjustly encumbers them with a financial obligation, which would inevitably lead to instability in the financial status of all sales transactions, as every seller could claim that they did not include the tax amount in the price of their goods or services and attempt to recover the same from the buyer after the sale is completed. This principle is reinforced by Article (1) and Paragraph (2) of Article (25) of the same Agreement. The general rule is that the announced sale price includes VAT, and the burden of proving otherwise lies with the party making the claim. The presumption of financial discharge applies, meaning that the burden of proof falls on Plaintiff (seller), not Defendant (buyer). Upon reviewing the case documents, it is evident that Plaintiff failed to present any evidence supporting its claim, nor did it demonstrate that it was registered for VAT at the time of the transaction or that it had issued a tax invoice. In fact, the sale took place in September, while Plaintiff's VAT registration was only completed in January of the following year. Accordingly, the Department ruled to dismiss Plaintiff's claim.

In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

Dismiss Plaintiff's case.

This decision was issued in presence of both parties. Department set thirty (30) days from date for receiving copy of decision, and may extend delivery date for another (30) days. Parties hereto may request to appeal decision within thirty (30) days from the day following the date specified for its receipt, whereafter it shall become final and enforceable.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-258
Case No.: V-57147-2021

Key words:

Value Added Tax – Field Inspection Fine – Incomplete TIN on Invoice – Violation of VAT Law and Its Implementing Regulations – Fine Reduction to SAR 1,000.

Abstract

Taxpayer requests annulment of ZATCA's decision regarding the field inspection fine for an incomplete TIN on the invoice, amounting to SAR (10,000). The dispute, regarding the field inspection fine, centers on the imposition of such fine due to non-compliance with the tax invoice requirements. The Department observed that, according to general principles and tax laws and their implementing regulations, penalties must be proportionate to the violation. Furthermore, based on the Department's assessment of the circumstances and its understanding of the legislator's intent, it is evident that when ZATCA was granted the power to impose penalties, it was expressly required to ensure that the penalty is proportionate to the nature of the violation. Therefore, the Department ruled to adjust and reduce the fine to one thousand riyals.

Documents:

- [the Tax Dispute and Violation Committee Procedures issued by Royal Order. \(26040\) of 21/04/1441 AH](#)
- Paragraph (1) of Article (23), Article (45), and Article (48) of [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- Paragraph (1) of Article (56) of [the Common VAT Agreement of GCC States, November 2016.](#)
- Paragraph (8) of Article (53) of [the Implementing Regulations of the Value Added Tax Law, issued by Resolution of the Board of Directors of the General Authority of Zakat and Income -formerly- No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH corresponding to 14 November 2016](#)

Facts

Facts of this case are summarized that, holder of National ID No.(.....), owner of (...) Establishment, CR No. (...), filed a statement of claim challenging Defendant's decision regarding the imposition of a field inspection fine, amounting to SAR (10,000) for non-compliance with tax invoice requirements, specifically due to the absence of a Tax Identification Number on the invoice. Therefore, Plaintiff requests nullification of the imposed fine.

Having presented the statement of claim to Defendant, it responded as follows: First: On Merits: : 1. On 27/01/2021, ZATCA's Representatives visited the Plaintiff's site and examined the simplified invoices provided by the Plaintiff during the field detection to verify the proper application of the Value Added Tax Law and its Implementing Regulations. After the inspection, it was found that they violated the requirements of the simplified invoice stipulated in paragraph (b) of Article (53.8) of the Implementing Regulations of the Value Added Tax Law, which states: "8- A Simplified Tax Invoice must include the following details: Name, address and Tax Identification Number of the Supplier,". 2. After confirming that the Plaintiff had violated the provisions of the VAT Law and its Implementing Regulations, as outlined above, ZATCA imposed a fine of 10,000 SAR on the Plaintiff, in accordance with Paragraph 3 of Article 45 of the VAT Law, which states: "A fine not exceeding fifty thousand (50,000) SAR shall be imposed on anyone who: " 3. violates any other provision of the Law or the Regulations." Defendant representative concluded his Reply requesting that the case be dismissed. End of Reply. On Monday, 10/01/2022, a session was held in accordance with remote litigation procedures, with Defendant present. The Plaintiff failed to attend despite being notified of session's date and virtual format, nor did they provide any excuse for their absence. Defendant's Representative (....) was present holder of National ID No., in his capacity as ZATCA's Representative by Authorization Letter No. (....), dated (.....) issued by Deputy Governor for Legal Affairs. Given the Plaintiff's absence, the Defendant requested to proceed with the case and issue a decision. Therefore, the Department decided to adjourn the session for deliberation and issue a decision.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Order No. (26040) dated 11/06/1441 AH, and the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since Plaintiff filed its case to cancel Defendant's decision on the imposition of a field inspection fine for non-compliance with tax invoice requirements, and since this is a tax dispute, it then falls within the jurisdiction of the Committee for Resolution of Income Tax Violations and Disputes as per Royal Order No. (26040) dated 21/04/1441 AH, and since the case was filed by a person having capacity, and within the period prescribed by law, it is therefore accepted in form.

On Merits: It is evident that, upon reviewing the case documents and the responses from both parties after providing them sufficient time to present their arguments, the dispute concerns on the imposition of a field inspection fine for non-compliance with tax invoice requirements, specifically due to the absence of a Tax Identification Number specifically due to the absence. Paragraph (1) of Article (56) of the Common VAT Agreement of GCC States stipulates: "Each Member State must determine the contents of the Tax Invoice and the period within which it must be issued, provided that The Ministerial Committee shall determine the minimum details required to be included in the tax invoice. Each Member State may allow for the issuance of simplified invoices in accordance with the conditions and rules determined by it". Moreover, Paragraph (1) of Article (23), related to tax invoices,



provides: “The Regulations shall determine the following: 1. The contents and form of Tax Invoices, and the time periods for the issuance thereof”. Furthermore, Paragraph (8) of Article (53) of the Implementing Regulations of the VAT Law states: “A simplified tax invoice must include the following details:.... b) the name, address and Tax Identification Number of the Supplier”. Article (45) of the VAT Law stipulates: “A fine not exceeding fifty thousand (50,000) SAR shall be imposed on anyone who: 3. violates any other provision of the Law or the Regulations”.

Defendant based its decision on the field inspection conducted at (...) on 27/01/2021, which was signed by Taxpayer (...). Upon reviewing the Field Inspection Fine Notice dated 25/02/2021, it was found that the violation in question was an incomplete tax identification number on the invoice, constituting a breach of Paragraph (8) of Article (53) of the Implementing Regulations of the Value Added Tax (VAT) Law, necessitating the imposition of the fine in accordance with Article (45) of the Value-Added Tax Law, which states: “A fine not exceeding fifty thousand (50,000) riyals shall be imposed on any Person that: 1. has not kept Tax Invoices, books, records and accounting documents for the period set out in the Regulations and the fine shall be per Tax Period. 2. prevents or obstructs the employees of the Authority or any one working for the Authority from performing their duties. 3. violates any other provision of the Law or the Regulations.”

Since there is no dispute regarding the violation committed by Plaintiff, the Department finds no indication—based on Plaintiff’s statements and defenses—that the error resulted in any harm or that Plaintiff gained any benefit therefrom, such as failing to submit tax returns, delaying their submission, or making errors in the returns. Such occurrences are reasonably expected in practical business operations. According to general principles and tax laws and their implementing regulations, penalties must be proportionate to the violation. Furthermore, based on the Department’s assessment of the circumstances and its understanding of the legislator’s intent, it is evident that when ZATCA was granted the power to impose penalties, it was expressly required to ensure that the penalty is proportionate to the nature of the violation. This principle is explicitly affirmed in Article (48) of the VAT Law, which states: “1. The Authority shall impose the penalties set out in the Law in accordance with the classification of violations and determination of penalties issued by a resolution from the Board of Directors taking into account the proportionality between the violation and the penalty”. Since the Article does not specify a minimum threshold for such violations, the Department decides to reduce the fine value to SAR (1,000), considering it proportionate to the violation committed.

Based on the above grounds, and based on the Common VAT Agreement, VAT Law and its Implementing Regulations, and the Tax Dispute and Violation Committee Procedures, and after deliberation, the Department unanimously decided to:

Decision

Reduce fine to one thousand riyals.

This decision was issued in the presence of both litigants, and Department set a thirty days’ period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah’s Blessings and Peace be upon our Prophet Muhammad and his family and companions.



(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-260
Case No.: V-60805-2021

Key words:

Value Added Tax – Field Inspection Fine – Absence of Business Address – Fine for Violation of Law Provisions – Violation of the Value Added Tax Law and its Implementing Regulations – Case Admissibility.

Abstract

Taxpayer seeks annulment of ZATCA's decision regarding the field inspection fine, amounting to SAR 10,000, imposed for non-compliance with tax invoice requirements, due to the absence of the business address. The dispute, in relation to the fine for violation of law provisions, revolves around a fine of SAR (10,000) imposed for violation of Law or Regulations thereof. The Department noted that the field inspection took place on 26/07/2018, whereas the fine decision was issued nearly two years later. The significant time gap between the inspection date and the fine issuance suggests either ZATCA's reluctance to impose the fine at the time or its delay in issuance. Therefore, the Department ruled to accept the Taxpayer case and cancel the Defendant's decision subject of the case.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- Paragraph (1) of Article (23) and Article (45) of [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- Article (56.1) of [Common VAT Agreement of GCC States, November 2016](#).
- Paragraph (8.e) of Article (53) of [the Implementing Regulations of the Value Added Tax Law, issued by Resolution of the Board of Directors of the General Authority of Zakat and Income -formerly- No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH corresponding to 14 November 2016](#).

Facts

Facts of the case are summed up in that, holder of National ID No. (.....), owner of (.....), CR No. (...), filed a statement of claim challenging Defendant's decision regarding the imposition of a field inspection fine, amounting to SAR (10,000) for non-compliance with tax invoice requirements, due to the absence of the business address. Therefore, Plaintiff requests nullification of the imposed fine.

Having presented the statement of claim to Defendant, it responded as follows: "First: On Merits: 1. On 26/07/2018, ZATCA's Representatives visited the Plaintiff's site and examined the simplified invoices provided by the Plaintiff during the field detection to



verify the proper application of the Value Added Tax Law and its Implementing Regulations. After the inspection, it was found that they violated the requirements of the simplified invoice stipulated in paragraph (b) of Article (53.8) of the Implementing Regulations of the Value Added Tax Law, which states: "8- A Simplified Tax Invoice must include the following details: Name, address and Tax Identification Number of the Supplier,". Upon reviewing the seized invoices, it was found that the supplier's address was missing, and therefore, ZATCA maintains the validity of its decision to impose the fine in question. 2. After verifying the Plaintiff's violation of the provisions of the Value Added Tax Law and its Implementing Regulations as outlined above, ZATCA imposed a fine of SAR (10,000) on the Plaintiff under Decision No. (...) dated 29/04/2021, based on Article (45.3) of the Value Added Tax Law, which states: "A fine not exceeding fifty thousand (50,000) riyals shall be imposed on any Person that: 3. - violates any other provision of the Law or the Regulations". Defendant representative concluded his Reply requesting that the case be dismissed. End of Reply.

On Sunday, 09/01/2022, a session was held in accordance with remote litigation procedures. Both parties wished to proceed with the case. appeared holder of National ID No., in his capacity as Plaintiff's representative under PoA No. (...), as well as Defendant's representative (...), holder of National ID No., in his capacity as ZATCA's Representative by Authorization Letter No. (...), dated (.....) issued by Deputy Governor for Legal Affairs. Having asked Plaintiff about his case, he responded that he admits what is mentioned in his statement of claim submitted to General Secretariat of Zakat, Tax and Customs Committees and confirms all facts contained therein. Having asked Defendant's representative about his reply to Plaintiff claims, he maintained his answers contained in his reply deposited in case file. Having asked the parties to the case if they had any other statements, they decided to suffice with their earlier submissions. Therefore, the Department ordered that the parties be temporarily dismissed from the virtual session for deliberation and delivery of its decision.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Order No. (26040) dated 11/06/1441 AH, and the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since Plaintiff filed its case to cancel Defendant's decision on the imposition of a field inspection fine for non-compliance with tax invoice requirements, based on Value Added Tax Law and its Implementing Regulations, and since this is a tax dispute, it then falls within the jurisdiction of the Committee for Resolution of Income Tax Violations and Disputes as per Royal Order No. (26040) dated 21/04/1441 AH, and since the case was filed by a person having capacity, and within the period prescribed by law, it is therefore accepted in form.

On Merits: The Department, upon careful consideration of the Case documents and considering the responses of both parties after allowing sufficient time for them to present their arguments, determined that the dispute centers on the fine for violating law or regulation in the amount of SAR 10,000, due to absence of the establishment address. Paragraph (1) of Article (56) of the Common VAT Agreement of the GCC States (Tax Invoice Contents) stipulates: "Each Member State must determine the contents of the Tax Invoice and the period within which it must be issued, provided that The Ministerial



Committee shall determine the minimum details required to be included in the tax invoice. Each Member State may allow for the issuance of simplified invoices in accordance with the conditions and rules determined by it". Moreover, Paragraph (1) of Article (23), related to tax invoices, provides: "The Regulations shall determine the following: 1. The contents and form of Tax Invoices, and the time periods for the issuance thereof". Furthermore, Paragraph (8) of Article (53) of the Implementing Regulations of the VAT Law, regarding tax invoices, states: "A simplified tax invoice must contain the following details: B) Name, address and Tax Identification Number of the Supplier, In addition, Article (45.3) of the Value Added Tax Law stipulates that: "A fine not exceeding fifty thousand (50,000) SAR shall be imposed on anyone who: 3. violates any other provision of the Law or the Regulations". Defendant asserts that, during the invoice review, they determined that Plaintiff violated Paragraph (8.b) of Article (53) of the Regulations, due to the invoice's omission of the business address, while Plaintiff seeks cancellation thereof.

It was observed, upon reviewing the submitted documents, that the field inspection took place on 26/07/2018, whereas the fine decision was issued nearly two years later. The significant time gap between the inspection date and the fine issuance suggests either ZATCA's reluctance to impose the fine at the time or its delay in issuance. The purpose of imposing a penalty is to promptly notify the violator of the breach or negligence committed. When this purpose is not fulfilled, imposing the penalty after such a long period constitutes a deviation from the intended administrative objective and deprives taxpayer of the opportunity to present evidence in a timely manner, rendering the decision unworthy of endorsement.

Based on the above grounds, and based on the Common VAT Agreement, VAT Law and its Implementing Regulations, and the Tax Dispute and Violation Committee Procedures, and after deliberation, the Department unanimously decided to:

Decision

Accept Plaintiff's case and cancel Defendant's decision subject of the case.

This decision was issued in the presence of both litigants, and Department set a thirty days' period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-263
Case No.: V-57100-2021

Key words:

Value Added Tax – Final Reassessment – Local Taxable Sales at the Standard Rate – Local Taxable Purchases at the Standard Rate – Late Payment Fine – Case Dismissal.

Abstract

Taxpayer seeks annulment of ZATCA's decision regarding the final reassessment for the VAT period of Q4 2019, as well as the late payment fine resulting from the reassessment. The dispute, concerning (Local Taxable Sales at the Standard Rate), lies in the final assessment notice for the VAT period, wherein the Department has determined that Defendant's reassessment was valid. The dispute also extends to the item (Local Taxable Purchases at the Standard Rate), concerning the final assessment notice for the VAT period, where the Department determined that Defendant had excluded the entire value of local purchases at the standard rate. Additionally, the dispute involves the (Late Payment Fine), arising from the final assessment notice. Defendant determined that issuing the final assessment notice for Q4 2019 resulted in a discrepancy in the amount of tax due, which remained unpaid within the statutory period. Consequently, a late payment fine was imposed for the months following the tax period in question. Conclusion: The case is dismissed.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- Paragraph (1) of Article (26) and Article (43) of [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- Article (45) and Article (63) of [the Common VAT Agreement of GCC States, November 2016](#).
- Article (14), Paragraph (1) of Article (48), Paragraph (8) of Article (49), Paragraph (1) of Article (59), Paragraph (1) of Article (64), Paragraph (6) of Article (66) of [the Implementing Regulations of the Value Added Tax Law, issued by Resolution of the Board of Directors of the General Authority of Zakat and Income -formerly- No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH corresponding to 14 November 2016](#)

Facts

Facts of this case are summed up in that, holder of National ID No. (.....), filed a statement of claim, challenging Defendant's decision regarding the final reassessment for VAT period of Q4 2019, as well as the reassessment fines. Plaintiff seeks annulment of the decision along with the imposed fines.

Having presented the statement of claim to Defendant, it responded as follows: First: In from: A. Plaintiff submitted an objection regarding the tax period in question but failed to provide the formal requests required for ZATCA to initiate the review of the objection



and issue a decision within the statutory periods. As a result, the objection request was automatically canceled on (26/07/2021), confirming Plaintiff's violation of the statutory procedures for filing an objection. Second: On Merits: 1. Plaintiff submitted their tax return for the relevant tax period, declaring local taxable sales at the standard rate amounting to SAR 150,000.00, adjustments to sales valued at SAR 8,043,298.00, and local taxable purchases at the standard rate amounting to SAR 100,000.00. As a result, a credit balance of SAR -399,664.90 was recorded in favor of Plaintiff. 2. Local Taxable Sales at the Standard Rate: The reassessment resulted in subjecting undisclosed revenue to taxation, as Plaintiff had not reported thereof in their tax return, following a review of Plaintiff's records with the Ministry of Justice, bringing the total amount to SAR 4,378,207.99 after ZATCA's adjustments. Accordingly, ZATCA maintains the validity of its decision to subject such revenues to taxation at the standard rate. ZATCA, concerning sales adjustments, indicates that it requested Plaintiff to provide supporting documents to verify the accuracy of their tax return. However, Plaintiff failed to do so, thereby breaching their obligation under Article (56) of the Implementing Regulations of the Value Added Tax (VAT) Law. Consequently, ZATCA excluded the sales adjustments. 3. Local Taxable Purchases at the Standard Rate: The reassessment resulted in the exclusion of the purchases declared by Plaintiff in their tax return. Whereas, ZATCA requested Taxpayer to provide supporting documents to validate the accuracy of their tax return; however, Plaintiff failed to do so. Accordingly, ZATCA excluded the purchases declared in the tax return due to Plaintiff's failure to provide the necessary supporting documentation. 4. Late Payment Fine: ZATCA determined that Plaintiff's tax return was inaccurate, necessitating adjustment thereto. As a result, a discrepancy arose in the amount of tax due, which remained unpaid on the due date. Consequently, a late payment fine was imposed for the months following the disputed tax period. Defendant's representative concluded his memorandum by requesting case inadmissibility in form, and, alternatively, dismissal on merits. End of Reply.

On Monday, 31/01/2022, a session was held in accordance with remote litigation procedures, with Defendant present. The Plaintiff failed to attend despite being notified of session's date and virtual format, nor did they provide any excuse for their absence. Defendant's Representative (....) was present holder of National ID No., in his capacity as ZATCA's Representative by Authorization Letter No. (.....), dated (.....) issued by Deputy Governor for Legal Affairs. Given the Plaintiff's absence, the Defendant requested to proceed with the case and issue a decision. Therefore, the Department decided to adjourn the session for deliberation and delivering of its decision.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Order No. (26040) dated 11/06/1441 AH, and the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since Plaintiff filed its case to cancel Defendant's decision regarding the final reassessment for the VAT period of Q4 2019, as well as the reassessment fines, and since this is a tax dispute, it then falls within the jurisdiction of the Committee for Resolution of Income Tax Violations and Disputes as per Royal Order No. (26040) dated 21/04/1441

AH, and since the case was filed by a person having capacity, and within the period prescribed by law, it is therefore accepted in form.

On Merits: The Department, upon careful consideration of the Case documents and considering the responses of both parties after allowing sufficient time for them to present their arguments, determined the following; First: As for Local Taxable Sales at the Standard Rate: It is evident that the dispute revolves around the final assessment notice for the VAT period of Q4 2019, specifically due to Defendant's adjustment, increasing the amount of local taxable sales at the standard rate to SAR 4,378,207.99, as Plaintiff failed to disclose these supplies. Article (14) of the Implementing Regulations of the Value Added Tax (VAT) Law states: "Without prejudice to Article two of the Law, for the purposes of applying the Agreement and the Law in the Kingdom, the Tax is imposed on all Taxable Supplies of Goods and Services made by a Taxable Person in the Kingdom in the course of carrying on their Economic Activity or those received by a Taxable Person in the Kingdom in the course of carrying on their Economic Activity where the Reverse Charge Mechanism applies, as well as on the Import of Goods into the Kingdom." In addition, Paragraph (1) of Article (64) thereof states: "The Authority may make an assessment of the VAT obligations of a Person in respect of one or more Tax Periods. The Authority shall provide notification to the Taxable Person when it issues such an assessment." In addition, Paragraph (6) of Article (66) thereof states: "When deemed necessary by the Authority, the Authority may, at any time, request additional records for the purposes of registration, examination and assessment procedures from the Taxable Person, provided that the Authority has a justifiable reason for such request."

It is evident, upon reviewing the details of the item, specifically the reassessment conducted by Defendant for VAT period of Q4 2019, that Plaintiff exercised its right of reassessment based on Paragraph (1) of Article (26) of the Value Added Tax (VAT) Law. The adjustments made to the taxable sales at the standard rate were a result of Plaintiff's failure to disclose these supplies, which Defendant identified through a third party (the Ministry of Justice). Accordingly, such sales were subjected to the standard tax rate pursuant to Article (14) of the Implementing Regulations of the Value Added Tax Law. Additionally, Defendant excluded the sales adjustments due to Plaintiff's failure to provide supporting documents validating the accuracy of the tax return. Since Plaintiff's arguments are not admissible due to the failure to provide sufficient supporting documents, the Department finds Defendant's adjustments to subject these sales to taxation at the standard rate to be valid, in accordance with Article (14) of the Implementing Regulations of the Value Added Tax Law, and upholds the exclusion of the adjustments to taxable sales at the standard rate.

Second: Local Taxable Purchases at the Standard Rate: It is evident that the dispute lies in the final assessment notice for the VAT period of Q4 2019, specifically due to Defendant's exclusion of local taxable purchases at the standard rate, as they are not eligible for deduction due to the absence of supporting documentation. Article (45) of the Common VAT Agreement of GCC States provides: "Input Tax that has been borne cannot be deducted in either of the following cases: 1. If it is for purposes other than Economic Activities as determined by each Member State; 2. If it is paid on Goods that it is prohibited to deal in in the Member State according to applicable laws." In addition, Paragraph (1) of Article (48) thereof states: "1. For purposes of exercising the right of deduction, the Taxable Person must hold the following documents: A. the Tax Invoice received pursuant to the provisions of this Agreement; Moreover, Paragraph (7) of Article (49) of the Implementing Regulations of the Income Tax Law states: "Input Tax may only be deducted where the Taxable Person holds evidence of the amount of Input Tax paid or payable in a form specified in Article forty-eight of the Agreement." Moreover, Paragraph (8) of Article (49) of the Implementing Regulations of the Income Tax Law states: "A



deduction of Input Tax may be made by a Taxable Person in a Tax Period subsequent to that Tax Period including the date of Supply, provided that the Taxable Person remains eligible to make such deduction under the other provisions of these Regulations. Input Tax may not be deducted in any period which falls more than five calendar years after the calendar year in which the Supply takes place.”

The Department, since Defendant excluded the entire amount of local taxable purchases at the standard rate and Plaintiff failed to provide supporting documentation, including invoices and commercial documents, satisfies to dismiss Plaintiff’s case and uphold Defendant’s action, especially since Plaintiff admitted to purchasing properties for their relatives.

Third: Late payment fine: It is evident that the dispute lies in the imposition of a late payment fine resulting from the final assessment notice for the VAT period of Q4 2019, specifically due to Defendant’s adjustment of the amount of local taxable sales at the standard rate due to Plaintiff’s failure to disclose these supplies, as well as the exclusion of local taxable purchases at the standard rate. Article (63) of the Common VAT Agreement of GCC States provides: “Each Member State shall determine the timeframes, conditions and provisions for payment of Net Tax Due by the Taxable Person”. Additionally, Paragraph (1) of Article (59) of the Implementing Regulations of the VAT Law states: “Payment of Tax due by a Taxable Person in respect of a Tax Period must be made at the latest by the last day of the month following the end of that Tax Period”. Article (43) of the VAT Law stipulates: “Any Person who fails to pay the Tax due during the period specified by the Regulations shall be liable to a fine equal to 5% of the value of the unpaid Tax for each month or part thereof for which the Tax has not been paid.”

After reviewing the Law and its Implementing Regulations referenced above and examining the details of the request to nullify the late payment fine, it is evident that the final assessment notice issued for VAT period of Q4 2019 resulted in a discrepancy in the amount of tax due, which remained unpaid on the due date. Consequently, a late payment fine was imposed for the months following the disputed tax period. Accordingly, the Department finds the fine to be valid, pursuant to Article (43) of the Value Added Tax Law.

In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

Dismiss Plaintiff’s case.

This decision was issued in the presence of both litigants, and Department set a thirty days’ period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

May Allah’s Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-283
Case No.: V-58536-2021

Key words:

Value Added Tax – Field Inspection Fine – Undercollection of Due Tax – Fine for Violation of Law Provisions – Nullification of the Disputed Fine – Case Admissibility.

Abstract

Taxpayer demands annulment of ZATCA's decision regarding the field inspection fine for undercollecting the due tax, amounting to SAR (10,000). The dispute, regarding the fine for violation of law provisions, concerns the fine imposed for violating the Law or its Implementing Regulations, amounting to SAR (10,000). Upon review, the Department determined that Taxpayer collected the tax at the statutory rate, taking the discount amount into account. Therefore, the Department ruled to accept the Case.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- Articles (2) and (45.3) of [Law of Value Added Tax promulgated by Royal Decree No. \(M/113\) of 02/11/1438 AH](#).
- Article (25.1) of [Common VAT Agreement of GCC States, November 2016](#).
- Paragraph (8.e) of Article (53) of [the Implementing Regulations of the Value Added Tax Law, issued by Resolution of the Board of Directors of the General Authority of Zakat and Income -formerly- No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH corresponding to 14 November 2016](#).

Facts

Facts of this case are summarized that Plaintiff, (...) Company, CR No. (...), represented by (...), National ID No. (...), in his capacity as the director of Plaintiff Company, filed a statement of claim challenging Defendant's decision regarding the imposition of a field inspection fine, amounting to SAR (10,000), for non-compliance with tax invoice requirements, specifically due to the undercollection of the due tax. Therefore, Plaintiff requests nullification of the imposed fine.

Defendant responded with a memorandum of reply, stating the following: First: On Merits: On 07/08/2018, ZATCA's representatives conducted an on-site inspection at Plaintiff's premises and examined the simplified invoices issued by the Plaintiff during a field campaign to verify compliance with the Value Added Tax (VAT) Law and its Implementing Regulations. After inspection, it was found that the invoices did not comply with the provisions of Article (2) of the VAT Law and the requirements for simplified invoices, as stated in Article (e/8) of Article (53) of the Implementing Regulations of the



VAT Law, which states: "A simplified tax invoice must include the following details:.... E) the Tax payable or a statement that the Consideration is inclusive of Tax in respect of the Supply of the Goods or services". ZATCA's employees found that the invoices lacked the payable tax amount at the statutory rate (find Attachment 2). Furthermore, ZATCA, upon confirming Plaintiff's violation of the VAT Law and its Implementing Regulations, as outlined above, imposed a fine of SAR (10,000) under Decision No. (...) dated 29/04/2021, based on Article (45.3) of the Value Added Tax Law, which states: "A fine not exceeding fifty thousand (50,000) riyals shall be imposed on any Person that: 3. violates any other provision of the Law or the Regulations". Defendant representative concluded his Reply requesting that the case be dismissed. End of Reply.

On Sunday, 13/02/2022, a session was held in accordance with remote litigation procedures. Both parties wished to proceed with the case. appeared holder of National ID No., as the director of the Plaintiff company, based on the company's articles of incorporation attached to the case. (...) and the representative of the Defendant (...) holder of National ID No., in his capacity as ZATCA's Representative by Authorization Letter No. (...), dated (...) issued by Deputy Governor for Legal Affairs. Having asked Plaintiff's representative about her case, she responded that she admits what is mentioned in her statement of claim submitted to General Secretariat of Zakat, Tax and Customs Committees and confirms all facts contained therein. Having asked Defendant's representative about his reply to Plaintiff claims, he maintained his answers contained in his reply deposited in case file. Having asked the parties to the case if they had any other statements, they decided to suffice with their earlier submissions. Therefore, the Department ordered that the parties be temporarily dismissed from the virtual session for deliberation and delivery of its decision.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Decree No. (26040) dated 11/06/1441 AH. the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In Form: Since the Plaintiff aims, through her case, to request the annulment of Defendant's decision regarding the imposition of a field violation fine for non-compliance with tax invoice requirements, based on the Value Added Tax (VAT) Law and its Implementing Regulations, and given that this dispute falls under the category of tax disputes, it is within the jurisdiction of the Committee for Adjudication of Tax Violations and Disputes, pursuant to Royal Decree No. (26040) dated 21/04/1441 AH. As the case was filed by a party with legal standing and within the legally prescribed period, the Department deems the case admissible in form.

On Merits: The Department, upon reviewing the case documents and the responses from both parties after providing them sufficient time to present their arguments, established that the dispute concerns a fine of SAR 10,000 for violating the provisions of the Law or its Regulations, specifically for collecting a lower tax rate from the end consumer than the statutory rate. Paragraph (1) of Article (25) of the Common VAT Agreement of GCC States provides "Tax shall be applied at the standard rate of 5% of the value of the Supply or the value of Imports, unless this Agreement provides for an exemption or the zero-rate on such supplies". Additionally, Paragraph (8.e) of Article (53) of the Implementing Regulations of the VAT Law states "A Simplified Tax Invoice must include the following



details: e) the Tax payable or a statement that the Consideration is inclusive of Tax in respect of the Supply of the Goods or services”. Furthermore, Paragraph (3) of Article (45) of the VAT Law states: “A fine not exceeding fifty thousand (50,000) SAR shall be imposed on anyone who: 3. violates any other provision of the Law or the Regulations”.

It is clear, based on the review of the submitted documents, including the inspection report and the invoices in question, specifically Invoice No. (...) dated 06/08/2018 and Invoice No. (...), that Plaintiff applied the tax at the statutory rate, considering the discount amount, and did not violate Paragraph (1) of Article (25) of the Common VAT Agreement of GCC States. Furthermore, the attached documents substantiate Plaintiff’s argument. Accordingly, the Department, based on the presented documents, decides to accept the case and annul Defendant’s decision.

For these reasons, and after deliberation in accordance with the law, the Department unanimously decides as follows:

Decision

Accept Plaintiff’s claim and nullify the fine subject to the case.

This decision was issued in the presence of both litigants, and Department set a thirty days’ period for receiving a copy of the decision, may extend such period for another thirty days, as it deems appropriate. Any litigant may appeal the decision within 30 days from the day following specified delivery date. After expiry of this period, the decision shall be deemed final and enforceable.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-326
Case No.: V-70146-2021

Key words:

Value Added Tax – Field Inspection Fine – Tax Invoice – Omission of Tax Type – Officially Designated Goods – Non-compliance with Tax Invoice Requirements.

Abstract

Taxpayer seeks annulment of ZATCA's decision regarding the imposition of a field inspection fine amounting to SAR (10,000) due to non-compliance with tax invoice requirements, specifically the failure to specify the VAT due, and requests nullification of the imposed fine. The dispute, regarding the imposition of a field inspection fine, centers on the imposition of a fine for violating the provisions of the law and regulations. Upon review, the Department determined that the supplied goods are limited to gasoline 91, gasoline 95, and diesel, which are officially price-regulated commodities where the price inherently VAT inclusive. Accordingly, ZATCA's decision to impose the fine lacks legal grounds. Therefore, the Department decided to annul Defendant's decision.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- Paragraph (3) of Article (45) of [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- Article (25.1) of the [Common VAT Agreement of the GCC States, November 2016](#).
- Paragraph (E/8) of Article (53) of [the Implementing Regulations of the Value Added Tax Law, issued by Resolution of the Board of Directors of the General Authority of Zakat and Income -formerly- No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH corresponding to 14 November 2016](#)

Facts

Facts of this case are summarized that Plaintiff, ..., holder of National ID No. (.....), owner of (...) Establishment, CR No. (...), filed a statement of claim challenging Defendant's decision regarding the imposition of a field inspection fine, amounting to SAR (10,000) for non-compliance with tax invoice requirements, specifically due to the failure to specify the VAT due. Therefore, Plaintiff requests nullification of the imposed fine.

Having presented the statement of claim to Defendant, it responded as follows: First: Substantive Defense: 1. ZATCA's representatives, on 08/06/2021, conducted an on-site inspection of Plaintiff's premises and examined the simplified invoices issued during the



field campaign to verify compliance with the Value Added Tax (VAT) Law and its Implementing Regulations. Upon inspection, it was found that Plaintiff violated the provisions of Article (2) of the VAT Law and failed to meet the simplified invoice requirements as stipulated in Paragraph (8.e) of Article (53) of the Implementing Regulations of the VAT Law, which states "A Simplified Tax Invoice must include the following details: e. The payable tax amount or a statement that the price includes tax concerning the supply of goods or services." The invoices issued by the Plaintiff did not specify the payable tax amount at the legally prescribed rate.

2. ZATCA, upon confirming Plaintiff's violation of the provisions of the Value Added Tax (VAT) Law and its Implementing Regulations, as outlined above, imposed a fine of SAR 10,000 on Plaintiff pursuant to its Decision No. (...), based on Paragraph (3) of Article (45) of the VAT Law, which states: "A fine not exceeding fifty thousand (50,000) riyals shall be imposed on any Person that: 3. violates any other provision of the Law or the Regulations". Second: Requests: In view of the foregoing, ZATCA requests the Honorable Committee to rule dismissal of the case. End of Reply.

The Plaintiff responded with a defense memorandum, stating: "The violation recorded by GAZT was previously contested, with clarification provided that no such violation existed against the establishment, due to its operation of an automated accounting system that automatically generates invoices, including TIN, invoice value, and tax amount, which are automatically added to the total due and paid amount. Despite this, GAZT rejected the objection without providing a reason for the rejection. Consequently, a notification for escalation was submitted to the Tax Committees, as the establishment has no recorded violations. Furthermore, when GAZT's designated inspector was questioned regarding any violations or observations recorded concerning the establishment, he explicitly denied the existence of any such issues or recorded violations." End of Reply.

On Tuesday, 15/02/2022, the hearing was held remotely in accordance with virtual litigation procedures. The Defendant was present, while the Plaintiff did not attend despite being duly notified of the session's date and format. Defendant's representative, (...), holder of National ID No., in his capacity as ZATCA's Representative by Authorization Letter No. (...), dated 08/03/1442 AH, issued by Deput Governor for Legal Affairs. Given the Plaintiff's absence, the Defendant requested to proceed with the case and issue a decision. Therefore, the Department decided to adjourn the session for deliberation and issue a decision.

Grounds

After due examination and having reviewed the case file, the Value Added Tax Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, the Implementing 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, the Tax Dispute and Violation Committee Procedures issued by Royal Order No. (26040) dated 11/06/1441 AH, and the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In form: Since Plaintiff filed its case to cancel Defendant's decision on the imposition of a field inspection fine for non-compliance with tax invoice requirements, based on Value Added Tax Law and its Implementing Regulations, and since this is a tax dispute, it then falls within the jurisdiction of the Committee for Resolution of Tax Violations and Disputes as per Royal Order No. (26040) dated 21/04/1441 AH, and since the case was filed by a person having capacity, and within the period prescribed by law, it is therefore accepted in form.



On merits, the Department, upon reviewing the case documents and the responses from both parties after providing them sufficient time to present their arguments, established that the dispute concerns a fine for violating the provisions of the Law or its Regulations. Paragraph (1) of Article (25) of the Common VAT Agreement of GCC States provides “Tax shall be applied at the standard rate of 5% of the value of the Supply or the value of Imports, unless this Agreement provides for an exemption or the zero-rate on such supplies”. Additionally, Paragraph (8.e) of Article (53) of the Implementing Regulations of the VAT Law states “A Simplified Tax Invoice must include the following details: e) the Tax payable or a statement that the Consideration is inclusive of Tax in respect of the Supply of the Goods or services”. Furthermore, Paragraph (3) of Article (45) of the VAT Law states: “A fine not exceeding fifty thousand (50,000) SAR shall be imposed on anyone who: 3. violates any other provision of the Law or the Regulations”.

It is evident, upon reviewing the submitted documents, that Plaintiff seeks nullification of the violation of law provisions or regulations, emphasizing, under its response to ZATCA's memorandum of reply, its adherence to the tax invoice requirements. Upon examining the details of the case, the Department determined that the supplied goods are limited to gasoline 91, gasoline 95, and diesel, which are officially price-regulated commodities where the price inherently VAT inclusive. Accordingly, ZATCA's decision to impose the fine lacks legal grounds. Therefore, the Department deems it appropriate to annul Defendant's decision.

In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:

Decision

Accept Plaintiff's claim and annul Defendant's decision subject to the case.

This decision was issued in presence of both parties. Department set thirty (30) days from date for receiving copy of decision, and may extend delivery date for another (30) days. Parties hereto may request to appeal decision within thirty (30) days from the day following the date specified for its receipt, whereafter it shall become final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-404
Case No.: V-52736-2021

Key words:

Value Added Tax – Late Payment Fine – Tax Return – Fine Nullification.

Abstract

Taxpayer seeks annulment of ZATCA's decision regarding the late tax return filing fine related to VAT period of Q1 2021 and requests nullification of such fine. The Department, regarding the aforementioned fine, determined that the return was filed on the first business day following the holiday break. Therefore, the Department finds no violation committed by Taxpayer warranting a penalty, necessitating the nullification of the fine in question and considering thereof as if it had never been imposed. Therefore, the Department ruled to nullify the imposed fine.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Income Tax Law promulgated by Royal Decree No. \(M/1\) dated 15/01/1425 AH](#)
- [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- Common VAT Agreement of GCC States, November 2016.
- [Implementing Regulations of the Income Tax Law promulgated by Minister of Finance Decision No. \(1535\) of 11/06/1425 AH](#)
- [The Implementing Regulations of the Value Added Tax Law issued by the decision of the Board of Directors of the \(former\) General Authority of Zakat and Income - No. \(3839\) of 14/12/1438 AH corresponding to 14/11/2016 AD](#)

Facts

Facts of this case are summarized that Plaintiff, holder of National ID No. (...), and owner of (...) Recruitment Office, CR No. (...), filed a statement of claim challenging Defendant's decision regarding the late submission fine for the late tax return filing fine for VAT period of Q1 2021. Therefore, Plaintiff requests nullification of the imposed fine.

Having presented the statement of claim to Defendant, it responded as follows: First: In from: Article (41) of the Law of Civil Procedures states: "The case shall be filed by the Plaintiff through a statement of claim, signed by the Plaintiff or their representative, and submitted to the Department in an original copy along with copies equal to the number of defendants. The statement of claim must include the following details: e. The subject of the case, Plaintiff's demands, and the supporting evidence." Based on the above, the case



does not meet the statutory requirements. Second: On Merits: Paragraph (1) of Article (62) of the Implementing Regulations of the VAT Law states: "A taxable person, or their representative, must submit their tax return to the Authority no later than the last day of the month following the end of the tax period to which the tax return relates..." Additionally, Paragraph (3) of Article (42) of the VAT Law states: "Any person who fails to submit the tax return within the period specified by the regulations shall be subject to a fine of no less than 5% and no more than 25% of the tax amount that should have been reported." Since the deadline for Plaintiff to submit their tax return, according to their tax period, was 30/04/2021, and given that Plaintiff failed to comply with the statutory timeframe for filing the return, ZATCA maintains the validity of its decision to impose the fine. Defendant's representative concluded his memorandum by requesting the dismissal of the case on procedural grounds and the rejection of the claim. End of Reply. On Wednesday, 16/02/2022 AD, a session was held in accordance with remote litigation procedures. Both parties wished to proceed with the case. The Plaintiff (....) appeared, Representing himself/herself, with National ID No. (...), and by Defendant's representative (...), holder of National ID No., in his capacity as ZATCA's Representative by Authorization Letter No. (....), dated 08/03/1442 AH issued by Deputy Governor for Legal Affairs. Having asked Plaintiff regarding their case, they reiterated the arguments presented in the statement of claim submitted to the General Secretariat of Tax Committees. Having asked Defendant's representative about his reply, he affirmed adherence to the arguments outlined in the memorandum of reply. Having asked the parties to the case if they had any other statements, they decided to suffice with their earlier submissions. Therefore, the Department ordered that the parties be temporarily dismissed from the virtual session for deliberation and delivery of its decision.

Grounds

After due examination and having reviewed the case file, the Value Added Tax Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, the Implementing 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, the Tax Dispute and Violation Committee Procedures issued by Royal Order No. (26040) dated 11/06/1441A H, and the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In form: Since Plaintiff filed its case to cancel Defendant's decision on the imposition of a late tax return filing fine for VAT period of Q1 2021, based on Value Added Tax Law and its Implementing Regulations, and since this is a tax dispute, it then falls within the jurisdiction of the Committee for Resolution of VAT Tax Violations and Disputes as per Royal Order No. (26040) dated 21/04/1441 AH, and since the case was filed by a person having capacity, and within the period prescribed by law, it is therefore accepted in form. On merits: it is evident that, upon reviewing the case documents and the responses from both parties after providing them sufficient time to present their arguments, the return was filed on the first business day following the holiday break. Therefore, the Department finds no violation committed by Plaintiff warranting a penalty, necessitating the nullification of the fine in question and considering thereof as if it had never been imposed.

In light of the foregoing and according to the provisions of the Common VAT Agreement of GCC States, the Value Added Tax Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, this Department, after deliberation, unanimously decided to:



Decision

Accept Plaintiff's claim and nullify the fine subject to the case.

This decision was issued in presence of both parties. Department set thirty (30) days from date for receiving copy of decision, and may extend delivery date for another (30) days. Parties hereto may request to appeal decision within thirty (30) days from the day following the date specified for its receipt, whereafter it shall become final and enforceable.

May Allah's Blessings and Peace be upon our Prophet Muhammad and his family and companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).



Committee for Determination of Tax Violations and
Disputes
First Department to Adjudicate of Value Added Tax
Violations and Disputes
In Dammam

Decision No.: VD-2022-615
Case No.: V-70155-2021

Key words:

Value Added Tax – Late Payment –Error in Tax Return – Nullification of Both Fines.

Abstract

Taxpayer demands annulment of ZATCA's decision regarding the imposition of fines for late payment and tax return filing error for the tax period of January 2021. The dispute, regarding the aforementioned fines, lies in Plaintiff's request to Defendant to nullify the late payment and tax return error fines. Upon review, the Department determined that the delay was not due to negligence or omission on the part of Plaintiff and ZATCA did not allege any harm resulting from the brief delay in question. Therefore, the Department decided to annul Defendant's decision in relation to the two fines in question.

Documents:

- [Tax Dispute and Violation Committee Procedures issued by Royal Order No. \(26040\) of 21/04/1441 AH](#)
- [Value Added Tax Law promulgated by Royal Decree No. \(M/113\) dated 02/11/1438 AH](#)
- [Common VAT Agreement of GCC States, November 2016.](#)
- [Implementing Regulations of the Value Added Tax Law, issued by Resolution of the Board of Directors of the General Authority of Zakat and Income -formerly- No. \(3839\) dated 14 Dhu al-Hijjah 1438 AH corresponding to 14 November 2016](#)

Facts

Facts of this case are summarized that Plaintiff, (...), holder of National ID No. (...), acting as representative of (...), holder of National ID No. (...), In his capacity as Director of (...) Company, CR No. (...), under PoA No. (...), submitted a statement of claim stating: "We hereby inform you that (...) Company was established on 16 Dhu'l-Qi'dah 1388 AH, corresponding to February 3, 1969, and was registered for Value Added Tax (VAT) on 20 Safar 1439 AH, corresponding to November 10, 2017. The effective date of registration for (...) Company, registered under TIN No. (...), began on 01 January 2018. The company has been committed to submitting its tax returns monthly since its VAT registration. The partners, in 2020, decided to divide the company's activities into several sectors and transfer the assets and liabilities related to the fuel business to (...) Fuel Company, effective January 1, 2021. A request was previously submitted in December 2021 to register (...) and its subsidiaries as a tax group with ZATCA, with the intended effective registration date of January 2021. However, ZATCA issued the effective registration date as February 2021 instead of January 2021 (as evidenced by the attached communications with the



relationship manager in an attempt to register as a tax group before January 1, 2021). Unfortunately, (...) Company, registered under TIN No. (...), was accepted into the tax group of (...) Company, registered under TIN No. (...), on January 12, 2021, with an effective registration date of February 1, 2021. Consequently, the company was compelled to submit a separate tax return for (...), registered under TIN No. (...), for January 2021. Due to the division of company activities as of January 2021 and the transfer of all assets and liabilities related to (...) Company, the purchase invoices for (...) Company had to be included in the VAT return of (...) Fuel Company, as they pertained to the fuel business, which was transferred in January 2021. It was impossible to amend the company name on all invoices received from suppliers due to the operational overlap between the parent company (...) and its subsidiary (...). Consequently, changing the name and VAT number on all invoices was unfeasible, especially since purchase orders had been issued in the name of (...) Company. Although suppliers were notified of the changes, it was challenging to carry out all amendments within the limited timeframe. Additionally, the purchases recorded in (...) Fuel Company's VAT return were not duplicated in any other subsidiary's VAT returns in the following months. This confusion could have been avoided had ZATCA approved the tax group registration from January 2021 instead of February 2021. Therefore, the tax return for January 2021 for (...) Company cannot be considered erroneous, as the due tax was duly settled by (...), the parent company, registered under TIN No. (...), which owns 100% of (...) Company. Consequently, there is no justification for imposing fines. Company Requests: The company respectfully requests your esteemed committee to nullify the fines imposed on (...) Company. We would like to emphasize that the above defenses are submitted within the statutory period in accordance with the relevant regulations. The company reserves the right to present additional defenses regarding the matter once ZATCA submits its viewpoint.

Upon presenting the case to the Defendant, ZATCA responded: "Upon reviewing Plaintiff's statement of claim, which includes an objection to ZATCA's imposition of fines for late payment and tax return filing error for the tax period of January 2021, ZATCA would like to summarize its response as follows: ZATCA imposed the late payment and tax return filing error fines in accordance with Article (43) of the VAT Law, which states "Any Person who fails to pay the Tax due during the period specified by the Regulations shall be liable to a fine equal to 5% of the value of the unpaid Tax for each month or part thereof for which the Tax has not been paid". Since Plaintiff failed to pay the tax for the subsequent months of the disputed tax period due to a discrepancy between the declared tax amount and the reassessed tax liability, a late payment fine was imposed for the period in question. Furthermore, upon determining that the tax return submitted by Plaintiff was erroneous, ZATCA imposed a fine for filing an erroneous return based on Paragraph (1) of Article (42) of the same Law, which provides "Any Person who files an incorrect Tax Return to the Authority, amends a Tax Return after filing or files any document with the Authority in relation to the Tax due by him which results in an error in the calculation of the Tax amount resulting in an amount that is less than the Tax due shall be liable to a fine equal to (50%) of the value of the difference between the calculated Tax and the Tax due." Accordingly, ZATCA confirms the validity of its procedure in question. Second: Requests: Based on the foregoing, ZATCA requests that the esteemed committee rule in favor of dismissing the Case for the reasons stated above and uphold the actions of ZATCA being sued. Moreover, ZATCA reserves the right to submit additional responses and clarifications prior to the closure of the pleadings."

Plaintiff submitted a reply stating the following: "With reference to ZATCA's Memorandum of Reply No. (1), including its response to the aforementioned claims regarding ZATCA's decisions on imposing the tax return filing error and late payment fines. Upon review, the company's response to the contents thereof is outlined as follows:



First: On Merits: Regarding late payment and tax return filing error fines for the tax period of January 2021: ZATCA's Viewpoint:

“ZATCA mentioned that it imposed the late payment and tax return filing error fines in accordance with Article (43) of the VAT Law, which states “Any Person who fails to pay the Tax due during the period specified by the Regulations shall be liable to a fine equal to 5% of the value of the unpaid Tax for each month or part thereof for which the Tax has not been paid”. Since Plaintiff failed to pay the tax for the subsequent months of the disputed tax period due to a discrepancy between the declared tax amount and the reassessed tax liability, a late payment fine was imposed for the period in question. Furthermore, upon determining that the tax return submitted by Plaintiff was erroneous, ZATCA imposed a fine for filing an erroneous return based on Paragraph (1) of Article (42) of the same Law, which provides “Any Person who files an incorrect Tax Return to the Authority, amends a Tax Return after filing or files any document with the Authority in relation to the Tax due by him which results in an error in the calculation of the Tax amount resulting in an amount that is less than the Tax due shall be liable to a fine equal to (50%) of the value of the difference between the calculated Tax and the Tax due.”

Company's Response: ZATCA's claim regarding the submission of an erroneous tax return and the resulting undercalculation of the tax amount does not apply to the company's case. (...) Company did not submit an erroneous tax return; rather, it merely included the purchase invoices of (...) Company in the tax return of (...) Company because they relate to fuel-related activities. This situation arose due to the division of (...)’s activities as of January 2021 and ZATCA's refusal to approve the registration of (...) as a tax group effective January 2021 instead of February 2021. Consequently, the purchase invoices related to the activities of (...) were deducted, but they contained details of (...) Company (...) (parent company). It was impossible to amend the company name on all invoices received from suppliers due to the operational overlap between the parent company (...) and its subsidiary (...). Consequently, changing the name and VAT number on all invoices was unfeasible, especially since purchase orders had been issued in the name of (...) Company. Although suppliers were notified of the changes, it was challenging to carry out all amendments within the limited timeframe. We would like to inform you that this situation only occurred in the January 2021 tax return for (...) Company, due to ZATCA's refusal to register (...) as part of the tax group of (...) in January 2021. The registration was only approved effective February 2021. However, this did not result in any duplication of the deduction of purchases listed in the tax return of (...) in any other subsidiary's returns. Therefore, the tax return for January 2021 for (...) Company cannot be considered erroneous, nor was the tax amount underreported, as the due tax was fully settled by (...), the parent company, registered under TIN No. (...). Consequently, there is no justification for imposing fines, especially given that (...) Company owns 100% of (...) Company. In light of the above, the company respectfully requests your esteemed committee to nullify the fines imposed on (...) Company, as the provisions of the mentioned paragraph do not apply to the company's case. Second: Plaintiff's Requests: The Company respectfully requests that your esteemed committee investigate the following: 1. Annul ZATCA's imposition of fines for tax return filing error and late payment. The company reserves the right to submit any additional memoranda or documents before the closure of the pleading phase.

On Sunday, 20/03/2022, a session was held in accordance with remote litigation procedures. Both parties wished to proceed with the case. holder of National ID No., appeared in his capacity as Plaintiff's representative under PoA No. (...), as well as Defendant's representative (...), holder of National ID No., in his capacity as ZATCA's Representative by Authorization Letter No. (...), dated 23/12/1442 AH issued by Deputy Governor for Legal Affairs. Having asked Plaintiff's Representative regarding



their case, they reiterated the arguments presented in the statement of claim submitted to the General Secretariat of Tax Committees. Having asked Defendant's representative about his reply, he affirmed adherence to the arguments outlined in the memorandum of reply. Having asked the parties to the case if they had any other statements, they decided to suffice with their earlier submissions. Therefore, the Department decided that parties to the Case should temporarily leave the virtual room for deliberation and adjudication.

Grounds

After reviewing the case documents and conducting a thorough examination, and based on the Value Added Tax (VAT) Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, as well as the Implementing Regulations of the law issued by the Board of Directors of the General Authority of Zakat and Income under Decision No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Procedure for the Committees for Adjudication of Tax Violations and Disputes issued by Royal Order No. (26040) dated 11/06/1441 AH, and the Common VAT Agreement of GCC States, and all relevant laws and regulations.

In form: Since Plaintiff filed its case to cancel Defendant's decision on the imposition of fines for late payment and tax return filing error for the tax period of January 2021, and since this is a tax dispute, it then falls within the jurisdiction of the Committee for Resolution of Tax Violations and Disputes as per Royal Order No. (26040) dated 21/04/1441 AH, and since the case was filed by a person having capacity, and within the period prescribed by law, it is therefore accepted in form.

On Merits: The Department, upon reviewing the case documents and the responses of both parties, finds that the dispute centers on Plaintiff's request to annul Defendant's imposition of fines for late payment and tax return filing error for the tax period of January 2021. The company has demonstrated its diligent efforts to amend the effective date of registration with ZATCA since December, prior to the relevant tax period. Given that the delay cannot be attributed to negligence or failure on the company's part and that ZATCA has not claimed any harm resulting from the brief delay, the Department does not find sufficient justification to impose such fines on the company. Accordingly, the Department, in accordance with the provisions of the Common VAT Agreement of GCC States, VAT Law and its Implementing Regulations, and Tax Dispute and Violation Committee Procedures, unanimously decided after deliberation:

Decision

Accept Plaintiff's case and annul Defendant's decision regarding the imposition of both fines in dispute.

This decision was issued in presence of both parties. Department set thirty (30) days from date for receiving copy of decision, and may extend delivery date for another (30) days. Parties hereto may request to appeal decision within thirty (30) days from the day following the date specified for its receipt, whereafter it shall become final and enforceable.

May Allah's blessings and peace be upon our Prophet Muhammad and upon all his Family and Companions.

(Judgment has become final by expiration of objection period under Article 40 of Rules of Tax Dispute and Violation Committee Procedures).