



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

Compendium of Defenses Raised in Tax Disputes and the Committees' Responses

For the Year 2025





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

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Introduction

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

In recent time the efforts made by the courts and judicial Committees and the rulings and Decisions issued by them constitute a priceless jurisprudential and judicial wealth, and a result that should be given attention and care. Considering the commercial and industrial revolution that of Saudi Arabia is experiencing under Vision 2030, many people are facing numerous challenges in Tax cases. From the perspective of social responsibility that the General Secretariat of Zakat, Tax, and Customs Committees adopts, it has sought to establish a solid foundation and reference for tax committee members, taxpayers, and interested parties through the study and analysis of the final decisions issued by the Tax committees for the year 2025, by extracting the main defenses raised before the Tax committees and their stance thereon which effectively contributes to addressing Tax disputes. This limits the prolongation of the consideration of cases, as it contributes to clarifying the decisions settled by the committees, which will be reflected in shortening the duration of litigation for concerned parties, easing the burden on the judge, and achieving the principle of transparency that the General Secretariat pursues, in addition to providing practical aspects for the relevant authorities in legal and regulatory research, especially academic and training institutions, among others.

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



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

Praise be to Allah alone. Therefore:

Based on the vision and values of the General Secretariat of Zakat, Tax and Customs Committees (GSTC), which has taken upon itself to excel in the capacity to resolve Zakat, tax, and customs disputes; adopt innovative and effective methods; enhance transparency and impartiality; foster cooperation among the parties of the Zakat, tax, and customs ecosystem; and play an active role in raising the efficiency of legal review; in a manner that contributes to achieving the objectives of Saudi Vision 2030 by enabling prompt justice, embracing the values of transparency and innovation, and support the Zakat, Tax and Customs Committees to expeditious adjudicate the disputes pending before them; providing support and assistance to the Committees at all stages by conducting studies and research; and serving taxpayers by clarifying laws, decisions, and judicial precedents, and updating them on a periodic basis.

The General Secretariat has accorded special importance to the defenses raised by the parties to the lawsuit and to determining the position adopted by the Adjudication and Appellate Circuits regarding such defenses; as they represent knowledge enrichment for case researchers, resulting in conclusions that contribute to achieving many of the General Secretariat's objectives. These include limiting conflicts and disputes, enhancing the Committees' position regarding such defenses, and strengthening the reasoning of the decisions issued by the Committees.

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

Secretary-General

Abdullah bin Abdulrahman Al-Suhaibani



Methodology

The General Secretariat has been careful to select decisions addressing broadly applicable or significant matters in order to achieve the desired benefit. In view of the importance of the characterization of the case before the adjudication and appeal committees and its impact on the reasoning and basis for the Decision, which is the result sought by the parties to the case, and because Tax cases have different facts and circumstances; it was necessary to tabulate the final decisions issued by the Tax Committees to enable researchers to review the opinion of the Committees on these defenses.

Based on the role of the General Secretariat of Zakat, Tax and Customs Committees in adopting and applying the principles of continuous improvement and development in the management of Zakat, Tax and Customs disputes, with the aim of enabling the speedy resolution of these disputes, the Secretariat paid attention to identifying the Tax decisions issued by the Tax adjudication and appeal committees that the Secretariat considered important to analyze the defenses made by the parties to the case during their pleadings before the committees and the position of the committees on those defenses; therefore, the work required a solid plan to produce it in an easy and accessible manner, the work was divided into several stages as follows

- A meticulous inventory was conducted of the final decisions issued by the Tax Committees relating to tax cases during the year 2025 AD.
- The name of the circuit issuing the decision, the number of the decision, and the date of issuance were listed.
- Keywords have been set to make it easier to search through them.
- A summary of the case which summarizes the most important parts of the case was developed.
- Listing the references that the circuit relied on when issuing the decision, with the presence of hyperlinks to those references.
- Listing the defenses of the parties in the lawsuit.
- Statement of the circuit's position on those defenses.
- The text of the circuit's decision.
- Ensuring the deletion of all data indicating the parties to the lawsuit or other parties without affecting the Decision.
- Verifying the integrity of the Decision from a linguistic and spelling perspective.



- **Categorize decisions thematically as appropriate and place them under the most relevant category.**

Before starting this project, it is advisable to define the defenses and their sections:

First: Definition of "Defenses" in language and terminology:

Defenses in language: The plural of the source, meaning to remove something, it is said: I pushed the thing, I push it with force.⁽¹⁾

Defense in jurisprudence: It is "a statement or equivalent made by the Defendant to counter the Claimant's claim".⁽²⁾

Defense in the Law: Procedural rights used by the judge or the defendant against the plaintiff's claim to refer it to another judicial authority, or to suspend the dispute, or to terminate it.⁽³⁾

Second: Sections of defenses:

Defenses are divided into two main categories based on their subject matter:

First: Procedural Defense: It is "what the defendant raises as an objection to the procedural actions that the plaintiff is required to undertake before and during the proceedings for them to have their effects," such as the objection to the jurisdiction of the court to which the case was brought.⁽⁴⁾

Second: Substantive defense: It is "the defense in which the defendant addresses the very right claimed," such as denying the existence of the right or claiming its expiration.⁽⁵⁾

Defenses also vary in terms of timing into two types:

The first type: Temporary defenses: They are "defenses that are time-bound and must be raised before any request or defense in the case, otherwise they will be forfeited."⁽⁶⁾

(1) See: The Dictionary of Language Standards (2/288), Ahmad bin Faris Al-Razi.

(2) See: Ibn Abdeen's Footnote (2/457), Muin al-Hakam al-Tarabulsi (p. 129), Al-Kashif in Explaining Law of Sharia Procedures (1/29), Abdullah Muhammad Al-Khaneen.

(3) Research titled: Defenses in the Law of Sharia Procedures, Fahd bin Abdulaziz Al-Yahya, published in the Journal of the Saudi Judicial Scientific Society, the ninth issue for the year 1437 AH, (p. 16).

(4) The theory of lawsuits between Islamic law and the Civil and Commercial Procedures Law (576), Mohamed Naim Yassin.

(5) See: The previous reference.

(6) Al-Kashif in explaining the Law of Sharia Procedures (1/401).



The second type: Absolute defenses: They are "defenses that may be raised at any stage of the case, not restricted by time or stage in it".⁽⁷⁾

(7) See: The previous reference (1/401).



Defenses Raised Before Tax Appeal Committees



Taxable Income



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

Decision No IR-2025-238626

Case No. IW-2024-238626

Keywords:

Income Tax – Freight Expenses – Customs Duties – Burden of Proof – Rejection of the Appeal

Summary:

The Taxpayer's and the Zakat, Tax and Customs Authority's objection against the Resolution Circuit's decision regarding the tax assessment for the years 2009 AD to 2014 AD, where the Authority appealed the freight expenses and customs duties item based on its connection to the supply of non-taxable materials. Meanwhile, the Taxpayer's appeal addressed the items of penalty expenses, amounts paid under the tax account, withholding tax on domestic expenses and technical services, Late payment penalty, and the statutory period for assessment. Since it was established to the Circuit that the freight expenses and customs duties were connected to taxable internal works, and the Taxpayer failed to prove the validity of the rest of its defenses, it concluded to reject the Authority's appeal and reject the Taxpayer's appeal regarding the objected items, and to dismiss the new request relating to the withholding tax.

Document



- Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Income Tax Law issued by Royal Decree No. (M/1) dated 15/01/1425 AH.
- Law of Sharia Procedures issued by Royal Decree No. (M/1) dated 22/01/1435 AH.
- Implementing Regulations of the Income Tax Law issued by the Minister of Finance's Resolution No. (1535) dated 11/06/1425 AH.
- Paragraph (2/5) of the Rules of Operation of the Circuits for Adjudicating Tax Violations and Disputes issued by Royal Decree No. (26040) dated 21/04/1441 AH.



Parties Defenses:

Defenses of the Appellant (Taxpayer)

The Taxpayer argued for the permissibility of deducting penalty expenses as they arose from contractual conditions and are supported by documents and audit minutes. It also argued its entitlement to deduct the amounts paid under the due tax account for the disputed years due to their prior withholding and submitting what supports the payment. It argued the Authority's and the Resolution Circuit's failure to process the withholding tax item on domestic travel expenses, site expenses, and technical and consulting services. It further argued the invalidity of the Late payment penalty for the payment of the principal due tax to the existence of an ongoing objection against the tax claim and the lack of proven bad faith, and argued the expiration of the statutory period for assessment for the years 2009 AD and 2010 AD due to the soundness of the submitted returns and the non-applicability of the case of an incorrect return with the intent of evasion.

Defenses of the Appellant (the Authority)

The Authority argued the inadmissibility of deducting freight expenses and customs duties due to the Taxpayer's failure to submit sufficient contracts, agreements, and analyses to prove their connection to accompanying works inside the Kingdom. It also argued that these expenses are connected to imported non-taxable materials, are included within the value of the materials, and cannot be deducted independently from a non-taxable activity.

The Committee's response to the defenses:

Regarding the Authority's appeal concerning the item (freight expenses and customs duties), whereas Paragraph (1) of Article (9) of the Implementing Regulations of the Income Tax Law issued by the Minister of Finance's Resolution No. (1535) dated 11/06/1425 AH stipulated that: "Expenses that may be deducted to determine the taxable income are: 1 - All ordinary and necessary expenses for generating the taxable income, whether paid or accrued, provided the following conditions are met: a- It must be an actual expense supported by corroborating documents or other evidence allowing the Authority to verify its validity. b- It must be connected to generating the taxable income. c- It must relate to the tax year. d- It must not be of a capital nature." Also, Article (12) of the same Regulations stipulated that: "All ordinary and necessary expenses for generating the taxable income, whether paid or accrued, and incurred during the tax year are deductible expenses when calculating the tax base, except for any expenses of a capital nature, and other non-deductible expenses pursuant to Article (13) of this Law, and other provisions in this Chapter." Furthermore, Paragraph (7) of Article (5) thereof stipulated that: "... 7- Contracts for the supply of goods to the Kingdom, including their freight and insurance contracts, shall not be considered as arising from an activity



carried out in the Kingdom unless the contracts include accompanying works such as internal transport, installation, maintenance, or training and the like practiced inside the Kingdom, in which case only the accompanying works are considered to have arisen from an activity in the Kingdom." Based on the foregoing, it became evident to the Circuit that the dispute revolves around the treatment of those expenses and is not a documentary dispute. By reviewing the Authority's appeal brief, it is evident that the basis for its rejection of the freight expenses and customs duties item is that they are expenses connected to an item exempt from tax, which are the imported materials declared as revenue and expense with the same value. Meanwhile, the Taxpayer argues that the disputed expenses relate to storage, rents, transportation, packaging expenses, and so forth for transporting the equipment that the company contracted to supply from the Kingdom's ports to the worksites inside the Kingdom, making this activity connected to the internal activity of the branch with the company. Upon the Circuit's review of the case file, it became evident that the Taxpayer submitted a statement of freight expenses and a sample of invoices for the year 2014 AD, and submitted the contract with the Saudi Electricity Company, and a brief presentation clarifying the disclosure of both revenues from supply from abroad and internal services relevant to the taxable revenues of the branch and related to the contract concluded with the company (...), in addition to the tax return for the years 2010 AD and 2014 AD. It is evident through the statement of revenues No. (1) (contracts follow-up statement) within these two returns the details of the contracts' revenues and their nature, indicating that the contracts concluded with customers inside the Kingdom are not limited solely to material supply contracts as the Authority claims, but also included internal services. Since the Taxpayer's primary activity is executing contracting contracts for installation, operation, and maintenance, and it became evident through the submitted invoices issued by the service provider that they relate to the loading and transporting of equipment from the Kingdom's ports and unloading them to the worksites, in addition to the storage expenses of that equipment and customs duties, which are expenses connected to generating the income that was subject to tax. The works for which the company contracted to supply and install equipment with domestic entities have been verified. Whereas it was confirmed in the field audit minutes attached within the Authority's supplementary appeal brief that a copy of the general ledger and a detailed statement of those expenses were reviewed, and Paragraph (4-a) relating to freight expenses indicated that they relate to transporting machinery and equipment from the port to the customer's premises to complete the contract for their installation; this leads the Circuit to conclude the rejection of the Authority's appeal and affirmation of the Resolution Circuit's decision regarding this item.

Regarding the Taxpayer's appeal concerning the item (penalty expenses), whereas Article (12) of the Income Tax Law issued by Royal Decree No. (M/1) dated 15/01/1425 AH stipulated that: "All ordinary and necessary expenses for generating the taxable income, whether paid or accrued, and incurred during the tax year are deductible expenses when calculating the tax base, except for any expenses of a capital nature, and other non-deductible expenses pursuant to Article (13) of this Law, and other provisions in this Chapter." And whereas Paragraph (1) of Article (9) of the Implementing Regulations of the Income Tax Law issued by the



Minister of Finance's Resolution No. (1535) dated 11/06/1425 AH stipulated that: "Expenses that may be deducted to determine the taxable income are: 1 - All ordinary and necessary expenses for generating the taxable income, whether paid or accrued, provided the following conditions are met: a- It must be an actual expense supported by corroborating documents or other evidence allowing the Authority to verify its validity. b- It must be connected to generating the taxable income. c- It must relate to the tax year. d- It must not be of a capital nature." Also, Paragraph (6) of Article (10) of the same Regulations stipulated that: "The following expenses may not be deducted: ... 6- Financial fines or penalties paid or payable to any entity in the Kingdom, such as traffic violations and public utility damage violations. However, financial fines resulting from the violation of contractual conditions, such as execution delay fines or poor execution fines, may be deducted provided they are documented by the entity contracted with the Taxpayer, and that they are declared within the Taxpayer's revenues in the year of their recovery." Furthermore, Paragraph (3) of Article (57) thereof stipulated that: "3- The burden of proving the validity of the revenues, expenses, and any other data stated in the Taxpayer's return lies with the Taxpayer. In the event of its inability to prove the validity of what is stated in its return, the Authority may, in addition to applying any other statutory penalties, disallow the expense whose validity is not proven by the Taxpayer, or make a presumptive assessment according to the Authority's point of view in light of the circumstances and facts related to the case and the information available to the Authority." Based on the foregoing, and upon the Circuit's review of the case file and the defenses and documents it contained, whereas it became evident that the basis for the Authority's rejection is that the materials item is exempt from tax, in addition to not being declared as revenue and expense with the same value, consequently, any fines connected to the exempt item are not accepted, and the Taxpayer did not submit what proves otherwise. And whereas the Circuit concluded in the item "statutory period for the tax assessment for the two years ended on 30/09/2009 AD and 30/09/2010 AD" to reject the Taxpayer's appeal due to proving the Authority's entitlement to assessment after the end of the statutory period for the year 2009 AD; this leads the Circuit to conclude the rejection of the Taxpayer's appeal and affirmation of the Resolution Circuit's decision regarding this item.

Regarding the Taxpayer's appeal concerning the item (amounts paid under the due tax account for the years 2010 AD to 2014 AD), whereas Paragraph (3) of Article (57) of the Implementing Regulations of the Income Tax Law issued by the Minister of Finance's Resolution No. (1535) dated 11/06/1425 AH stipulated that: "The burden of proving the validity of the revenues, expenses, and any other data stated in the Taxpayer's return lies with the Taxpayer. In the event of its inability to prove the validity of what is stated in its return, the Authority may, in addition to applying any other statutory penalties, disallow the expense whose validity is not proven by the Taxpayer, or make a presumptive assessment according to the Authority's point of view in light of the circumstances and facts related to the case and the information available to the Authority." Based on the foregoing, and whereas the dispute between the two parties revolves around the non-deduction of the withholdings paid under the account, and upon the Circuit's review of the case file and the defenses



and documents it contained; it became evident to it that the Taxpayer did not submit what proves the existence of amounts paid under the due tax account for the disputed years which the Authority did not deduct, nor did it submit what proves the payment of those amounts. And whereas the invoices submitted by the Taxpayer do not clarify the referred amounts due to the difficulty of reading the invoice data; this leads the Circuit to conclude the rejection of the Taxpayer's appeal and affirmation of the Resolution Circuit's decision regarding this item.

Regarding the Taxpayer's appeal concerning the item (imposing withholding tax on domestic travel expenses, site expenses, and technical and consulting services), whereas Paragraph (2) of Article (5) of the Rules of Operation of the Circuits for Adjudicating Tax Violations and Disputes issued by Royal Decree No. (26040) dated 21/04/1441 AH stipulated that: "Where there is no provision in the Rules, the two Committees shall apply the procedures stipulated in the Law of Sharia Procedures, the Law of Criminal Procedures, the Law of Procedures before the Board of Grievances, and the regulations and decisions issued in their regard, in a manner not contrary to the nature of the lawsuit, and not conflicting with the jurisdictions, powers, and nature of work of the two Committees." And based on Article (186) of the Law of Sharia Procedures issued by Royal Decree No. (M/1) dated 22/01/1435 AH which stipulated that: "New requests are not accepted in the appeal, and the court shall rule sua sponte their non-acceptance." Based on the foregoing, and upon the Circuit's review of the case file; it became evident to it that the item of imposing withholding tax on domestic travel expenses, site expenses, and technical and consulting services is a new item; this leads the Circuit to conclude the dismissal of the Taxpayer's appeal regarding this item.

Regarding the Taxpayer's appeal concerning the item (Late payment penalty), whereas Paragraph (A) of Article (77) of the Income Tax Law issued by Royal Decree No. (M/1) dated 15/01/1425 AH stipulated that: "In addition to the penalties set forth in Article (76) of this Law and in Paragraph (B) of this Article, the Taxpayer shall pay a Late payment penalty of one percent (1%) of the unpaid tax for every thirty days of delay. This includes delay in paying the tax required to be withheld and advance payments, calculated from the due tax date until the date of payment." And whereas Paragraph (1) of Article (68) of the Implementing Regulations of the Income Tax Law issued by Ministerial Resolution No. (1535) dated 11/06/1425 AH stipulated that: "Added to the penalties set forth in the previous Article is 1% of the unpaid tax for every thirty days of delay in the following cases: b- Delay in paying the due tax under the Authority's assessment." And based on the text of Paragraph (3) of Article (67) of the same Regulations which stipulated that: "Unpaid tax means the difference between what the Taxpayer paid on the statutory deadline and the due tax for payment pursuant to the provisions of the Law. It includes the adjustments made by the Department which have become final as stated in Paragraph (2) of Article (71) of these Regulations, including disputed cases, where the penalty is calculated from the date of the statutory deadline for submitting the return and payment." Based on the foregoing, and upon the Circuit's review of the case file and the defenses and documents it contained, and whereas the Late payment penalty is calculated from the end of the specified deadline for



submitting the return until the date of payment of the due tax arising under the application of the provisions of the Law and the adjustments made by the Authority, and whereas the dispute between the two parties did not arise from a significant difference in interpreting the statutory texts, and whereas the Taxpayer did not object to the origin of the tax imposition as it claimed; this leads the Circuit to conclude the rejection of the Taxpayer's appeal and affirmation of the Resolution Circuit's decision regarding this item.

Regarding the Taxpayer's appeal concerning the item (statutory period for assessment for the two years ended on 30/09/2009 and 30/09/2010 AD), whereas Paragraphs (A) and (B) of Article (65) of the Income Tax Law issued by Royal Decree No. (M/1) dated 15/01/1425 AH stipulated that: "A- The Authority has the right, by a reasoned notice, to make or amend the tax assessment within five years from the end of the specified deadline for submitting the tax return for the tax year. It also has this right at any time if the Taxpayer agrees to it in writing. B- The Authority has the right to make or amend the assessment within ten years from the end of the specified deadline for submitting the tax return for the tax year if the Taxpayer did not submit its tax return or if it becomes evident that the return is incomplete or incorrect with the intent of tax evasion." Also, Paragraph (3) of Article (57) of the Implementing Regulations of the Income Tax Law issued by the Minister of Finance's Resolution No. (1535) dated 11/06/1425 AH stipulated that: "The burden of proving the validity of the revenues, expenses, and any other data stated in the Taxpayer's return lies with the Taxpayer. In the event of its inability to prove the validity of what is stated in its return, the Authority may, in addition to applying any other statutory penalties, disallow the expense whose validity is not proven by the Taxpayer, or make a presumptive assessment according to the Authority's point of view in light of the circumstances and facts related to the case and the information available to the Authority." Based on the foregoing, it is evident from the statutory texts mentioned above that the Authority's right to make tax assessments ends after the lapse of (5) years starting from the final specified date for submitting the return. And whereas it is established that the Authority made the tax assessment for the disputed years after the end of the specified statutory period, and whereas the Authority has the right to request and study the Taxpayer's documents and verify their validity, and whereas the Authority argues that the Taxpayer did not submit the tax returns correctly as they included some non-deductible expenses, and since the Taxpayer did not submit supporting documents proving otherwise; therefore, the Authority has the right to make the tax assessment within (10) years from the end of the specified deadline for submitting the tax return; this leads the Circuit to conclude the rejection of the Taxpayer's appeal and affirmation of the Resolution Circuit's decision regarding this item.

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



Decision

Acceptance of the appeal procedurally, submitted by the Taxpayer / (...) Company, Commercial Registration No. (...), TIN (...), and the appeal submitted by the Zakat, Tax and Customs Authority, against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City No. (ITR-2024-23706) issued in Case No. (IW-2020-23706) relating to the tax assessment for the years from 2009 AD to 2014 AD.

Second: On the merits:

- 1- Rejection of the Authority's appeal and affirmation of the Resolution Circuit's decision regarding the item (freight expenses and customs duties).
- 2- Rejection of the Taxpayer's appeal and affirmation of the Resolution Circuit's decision regarding the item (penalty expenses).
- 3- Rejection of the Taxpayer's appeal and affirmation of the Resolution Circuit's decision regarding the item (amounts paid under the due tax account for the years from 2010 AD to 2014 AD).
- 4- Dismissal of the Taxpayer's appeal regarding the item (imposing withholding tax on domestic travel expenses, site expenses, and technical and consulting services).
- 5- Rejection of the Taxpayer's appeal and affirmation of the Resolution Circuit's decision regarding the item (Late payment penalty).
- 6- Rejection of the Taxpayer's appeal and affirmation of the Resolution Circuit's decision regarding the item (statutory period for assessment for the two years ended on 30/09/2009 and 30/09/2010 AD).



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

Decision No IR-2025-240185

Case No. ZI-2024-240185

Keywords:

Income Tax – Assessment Procedures – Unrelated Expenses – Late payment penalty – Partial Acceptance.

Summary:

The objection of the Zakat, Tax and Customs Authority against the Resolution Circuit's decision relating to the tax assessment for the year 2019 AD, where its objection focused on annulling the decision regarding all items subject of the lawsuit. It maintained the validity of the assessment procedures, the right to adjust the item of expenses unrelated to the activity, and the imposition of the Late payment penalty. Whereas it was established to the Circuit that the Taxpayer was aware of the reasons for the assessment and adjustments, and the termination of the dispute regarding some items was established, along with the deficiency of the Taxpayer's documents in proving certain expenses, while it was established that it did not charge other expenses to the income statement; the effect of this is; acceptance of the appeal procedurally, acceptance of some of its items and rejection of others, and establishing the termination of the dispute regarding the items that the Authority acknowledged accepting.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Article (77/A) of the Income Tax Law issued by Royal Decree No. (M/1) dated 15/01/1425 AH.
- Article (70) of the Law of Sharia Procedures issued by Royal Decree No. (M/1) dated 22/01/1435 AH.
- Articles (18-20) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH.
- Implementing Regulations of the Income Tax Law issued by Ministerial Resolution No. (1535) dated 11/06/1425 AH.



Parties Defenses:

Defenses of the Appellant (the Authority)

The Authority argued that the Resolution Circuit violated the previous Appeal Circuit's decision when it returned to examining an issue that had been previously adjudicated regarding the reasoning and assessment procedures. It also argued that it was proven that the Taxpayer was aware of the reasons for the assessment and adjustments, and that some expenses are unrelated to the activity due to the failure to submit supporting documents for them. It argued the validity of imposing the Late payment penalty on the unaccepted items, while acknowledging the termination of the dispute regarding some items and partially accepting the penalties associated with them.

The Committee's response to the defenses:

Regarding the Authority's appeal concerning the item (the Authority's non-compliance with the assessment procedures for the year 2019 AD), and based on Article (20) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH, which stipulated: "The Authority shall issue the assessment including its approval of the return or its amendment thereto, stating the reasons for the amendment. The Taxpayer may object to the assessment in accordance with the provisions of Chapter (Seven) of the Regulations." Based on the foregoing, the Authority appeals the Resolution Circuit's decision, stating that it violated the outcome of the appeal decision No. (IR-2023-167460), and issued the decision based on the same grounds that were previously decided in its prior decision without taking into consideration the Authority's appeal regarding the reasoning item, proving the issuance of the assessment, and attaching the reasons for adjustment with the assessment in accordance with the grounds and reasons stated in the attached Authority's appeal brief, and the issuance of a final decision by the appeal remanding the two items for adjudication on the merits. Upon the Circuit's review of the case file and the defenses and documents it contained, the Taxpayer's awareness of all reasons for the adjustments became evident. It also became evident that there was correspondence between the Taxpayer and the Authority represented by documents sent by the Taxpayer to the Authority under "objection attachments". And whereas the Taxpayer's awareness of all the reasons for the assessment and adjustments issued by the Authority was established, this leads the Circuit to conclude the acceptance of the Authority's appeal and the annulment of the Resolution Circuit's decision regarding the item (the Authority's non-compliance with the assessment procedures for the year 2019 AD).

Regarding the Authority's appeal concerning the item (expenses unrelated to the activity), and based on Article (18) of the Implementing Regulations for Zakat Collection issued by Ministerial Resolution No. (2216) dated 07/07/1440 AH, which stipulated that: "Without prejudice to what is stated in Article (10) of the



Regulations, every taxpayer shall maintain - inside the Kingdom and in the Arabic language - the commercial books necessary to accurately determine the Zakat base, while retaining the documents proving their validity and the data and clarifications supporting them. The burden of proving the validity of the items and any other data stated in the return lies with the taxpayer. In the event of its inability to prove the validity of what is stated in its return, the Authority may disallow the item whose validity the taxpayer fails to prove, or make a presumptive assessment according to the Authority's point of view in light of the circumstances and facts related to the case and the information available to it." Also, Paragraph (3) of Article (57) of the Implementing Regulations of the Income Tax Law issued by Ministerial Resolution No. (1535) dated 11/06/1425 AH stipulated: "The burden of proving the validity of the revenues, expenses, and any other data stated in the taxpayer's return lies with the taxpayer. In the event of its inability to prove the validity of what is stated in its return, the Department may, in addition to applying any other statutory penalties, disallow the expense whose validity is not proven by the taxpayer, or make a presumptive assessment according to the Department's point of view in light of the circumstances and facts related to the case and the information available to the Department." And whereas Article (70) of the Law of Sharia Procedures issued by Royal Decree No. (M/1) dated 22/01/1435 AH stipulated that: "The litigants may request the court, at any stage of the lawsuit, to record what they have agreed upon regarding acknowledgment, conciliation, or otherwise in the record of the lawsuit, and the court shall issue a deed to that effect." Based on the foregoing, regarding the item (revenues outside the scope of tax in the amount of 560,425 Riyals), the item (amounts declared in excess in the Value Added Tax returns for the first quarter of 2019 AD in the amount of 1,180,740 Riyals), and the item (sales commission in the amount of 113,198 Riyals), and whereas this Circuit established the Authority's request in the appeal brief to terminate the dispute between the two parties, which included: "The Authority accepts what the Taxpayer claims in the aforementioned amount, accordingly, the dispute is considered terminated regarding it," which makes it incumbent upon the Circuit to establish the termination of the dispute regarding the item (revenues outside the scope of tax in the amount of 560,425 Riyals), the item (amounts declared in excess in the Value Added Tax returns for the first quarter of 2019 AD in the amount of 1,180,740 Riyals), and the item (sales commission in the amount of 113,198 Riyals). As for the item (expenses paid on behalf of subsidiaries in the amount of 3,435,059 Riyals), and based on the foregoing, and whereas the Authority stated that if the Taxpayer submitted to the esteemed Circuit evidence that these expenses were not included within the costs and expenses of the activity specifically, and that the invoices pertaining to these expenses are in the name of the Taxpayer—which it did not submit to the Authority—then the Authority requests the Circuit to verify this, and if submitted, the Authority agrees to what the Taxpayer claims in the aforementioned amount. Meanwhile, the Taxpayer stated that the expenses paid on behalf of the subsidiaries are recorded in the statement of financial position as balances due from subsidiaries in Note No. (12), and the company receives a profit margin, which was recorded in the income statement and was subject to Zakat and tax. Since the Taxpayer submitted a statement of the expenses paid on behalf of the subsidiaries and a reimbursement account with invoices reflecting the amounts, in addition to a sample of



copies of the invoices, and whereas the Authority failed to prove that the Taxpayer charged these expenses to the income statement, this leads the Circuit to conclude the rejection of the appeal regarding the item (expenses paid on behalf of subsidiaries in the amount of 3,435,059 Riyals). As for the item (expenses unrelated to the activity in the amount of 228,468 Riyals), and by reviewing the case file, and whereas it became evident that the Taxpayer indicated that the difference relates to other revenues and capital losses in the amount of (212,550) Riyals and differences between the draft financial statements and the audited financial statements in the amount of (15,919) Riyals, while the Taxpayer did not submit the documents supporting the expense, represented by analytical statements, invoices, and what supports their connection to the activity. This makes it incumbent upon the Circuit to accept the appeal regarding the item (expenses unrelated to the activity in the amount of 228,468 Riyals).

Regarding the Authority's appeal concerning the item (delay penalties), and based on Paragraph (A) of Article (77) of the Income Tax Law issued by Royal Decree No. (M/1) dated 15/01/1425 AH, which stipulated the following: "In addition to the penalties set forth in Article (76) of this Law and in Paragraph (B) of this Article, the Taxpayer shall pay a Late payment penalty of one percent (1%) of the unpaid tax for every thirty days of delay. This includes delay in paying the tax required to be withheld and advance payments, calculated from the due tax date until the date of payment." Also, Paragraph (1) of Article (68) of the Implementing Regulations of the Income Tax Law issued by Ministerial Resolution No. (1535) dated 11/06/1425 AH stipulated: "Added to the penalties set forth in the previous Article is 1% of the unpaid tax for every thirty days of delay in the following cases: b- Delay in paying the due tax under the Authority's assessment." And Paragraph (3) of Article (67) of the same Regulations, which includes: "Unpaid tax means the difference between what the Taxpayer paid on the statutory deadline and the due tax for payment pursuant to the provisions of the Law. It includes the adjustments made by the Department which have become final as stated in Paragraph (2) of Article (71) of these Regulations, including disputed cases, where the penalty is calculated from the date of the statutory deadline for submitting the return and payment." And whereas Article (70) of the Law of Sharia Procedures issued by Royal Decree No. (M/1) dated 22/01/1435 AH stipulated that: "The litigants may request the court, at any stage of the lawsuit, to record what they have agreed upon regarding acknowledgment, conciliation, or otherwise in the record of the lawsuit, and the court shall issue a deed to that effect." Based on the foregoing, regarding the item (delay penalties) on the items (revenues outside the scope of tax in the amount of 560,425 Riyals - amounts declared in excess in the Value Added Tax returns for the first quarter of 2019 AD in the amount of 1,180,740 Riyals - sales commission in the amount of 113,198 Riyals), and whereas this Circuit established the Authority's request in the appeal brief to partially terminate the dispute between the two parties, which included: "The Authority partially accepts this item to the extent of the penalties associated with the accepted items, and the Authority maintains the validity and soundness of its procedure regarding the items that the Authority did not accept." This makes it incumbent upon the Circuit to establish the termination of the dispute regarding the item (delay penalties) on the items (revenues



outside the scope of tax in the amount of 560,425 Riyals - amounts declared in excess in the Value Added Tax returns for the first quarter of 2019 AD in the amount of 1,180,740 Riyals - sales commission in the amount of 113,198 Riyals). Regarding the item (delay penalties) on the item (expenses unrelated to the activity in the amount of 228,468 Riyals) and on the item (expenses paid on behalf of subsidiaries in the amount of 3,435,059 Riyals). And by reviewing the case file, and whereas it is evident that the dispute between the two parties lies in the non-acceptance of the Late payment penalty from the statutory payment date, and referring to the case file and the defenses and documents it contained, and whereas the Late payment penalty is calculated from the end of the specified deadline for submitting the return until the date of payment of the due tax arising under the application of the provisions of the Law and the adjustments made by the Authority. And whereas the dispute between the two parties is a documentary dispute and did not arise from a significant difference in interpreting the statutory texts, which makes it incumbent to apply the penalties on the items for which the appeal was accepted, and to annul the penalties on the items for which the appeal was rejected due to the lapse of the origin of the tax imposition. This makes it incumbent upon the Circuit to accept the Authority's appeal regarding the item (delay penalties) on the item (expenses unrelated to the activity in the amount of 228,468 Riyals), and to reject the Authority's appeal regarding the item (delay penalties) on the item (expenses paid on behalf of subsidiaries in the amount of 3,435,059 Riyals).

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

Decision

First: Acceptance of the appeal procedurally from its submitter / the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City No. (IZD-2024-63497) issued in Case No. (ZI-2021-63497) relating to the tax assessment for the year 2019 AD.

Second: On the merits:

- 1- Acceptance of the Authority's appeal and annulment of the Resolution Circuit's decision regarding the item (the Authority's non-compliance with the assessment procedures for the year 2019 AD).
- 2- Regarding the Authority's appeal concerning the item (expenses unrelated to the activity):
 - a) Establishing the termination of the dispute regarding the item (revenues outside the scope of tax in the amount of 560,425 Riyals).
 - b) Establishing the termination of the dispute regarding the item (amounts declared in excess in the Value Added Tax returns for the first quarter of 2019 AD in the amount of 1,180,740 Riyals).
 - c) Establishing the termination of the dispute regarding the item (sales commission in the amount of 113,198 Riyals).



- d) Rejection of the appeal regarding the item (expenses paid on behalf of subsidiaries in the amount of 3,435,059 Riyals).
 - e) Acceptance of the appeal regarding the item (expenses unrelated to the activity in the amount of 228,468 Riyals).
- 3- Regarding the Authority's appeal concerning the item (delay penalties):
- a) Establishing the termination of the dispute regarding the item (delay penalties) on the items (revenues outside the scope of tax in the amount of 560,425 Riyals - amounts declared in excess in the Value Added Tax returns for the first quarter of 2019 AD in the amount of 1,180,740 Riyals - sales commission in the amount of 113,198 Riyals).
 - b) Acceptance of the Authority's appeal regarding the item (delay penalties) on the item (expenses unrelated to the activity in the amount of 228,468 Riyals).
 - c) Rejection of the Authority's appeal regarding the item (delay penalties) on the item (expenses paid on behalf of subsidiaries in the amount of 3,435,059 Riyals).



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

Decision No IR-2025-242980

Case No. I-2024-242980

Keywords:

Income Tax – Penalties – Presumptive assessment – Late payment penalty – Date of Notification

Summary:

The Taxpayer's objection against the Resolution Circuit's decision relating to the tax assessment for the year 2017 AD, where it maintained the invalidity of the assessment regarding the items of the Lapse of the prescribed period, applying a profit margin to the works of supplying goods from outside the Kingdom, applying a profit margin to the discounts of contract (...), and the adjusted carried-forward losses. It also objected to the Late payment penalty because the tax is subject to objection and due to the existence of a difference in viewpoints. Whereas the Circuit deemed the grounds of the Resolution Circuit's decision sufficient regarding the items on the merits and concluded to uphold it in their regard; as for the Late payment penalty, it decided that its calculation in the case of a presumptive assessment shall be from the date of the Authority's notification of the assessment, not from the original due date, due to the Taxpayer's inability to pay the tax difference prior to the issuance of the assessment. The effect of this is; acceptance of the appeal procedurally, rejecting it regarding the items on the merits, and amending the Resolution Circuit's decision regarding the Late payment penalty item.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Article (77/A) of the Income Tax Law issued by Royal Decree No. (M/1) dated 15/01/1425 AH.
- Paragraph (1) of Article (68) of the Implementing Regulations of the Income Tax Law issued by Ministerial Resolution No. (1535) dated 11/06/1425 AH.
- Paragraph (3) of Article (67) of the Implementing Regulations of the Income Tax Law issued by Ministerial Resolution No. (1535) dated 11/06/1425 AH.



Parties Defenses:

Defenses of the Appellant (Taxpayer)

The Taxpayer argued the invalidity of the Late payment penalty because the items upon which it was imposed are still subject to objection and due to the existence of a true difference in viewpoints with the Authority. It also argued that the penalty shall only be calculated from the date the tax becomes final after accepting the assessment or the conclusion of the objection procedures. It further argued the invalidity of the items of the Lapse of the prescribed period, applying a profit margin to the works of supplying goods from outside the Kingdom, applying a profit margin to the discounts of contract (...), and the adjusted carried-forward losses, and requested the annulment of the Resolution Circuit's decision regarding the items subject to the appeal.

The Committee's response to the defenses:

Regarding the Taxpayer's appeal concerning the item (Lapse of the prescribed period for the year 2017 AD), the item (applying a profit margin of 7.43% to the works of supplying goods carried out from outside the Kingdom of Saudi Arabia to customers inside the Kingdom), the item (applying a profit margin of 7.43% to the discounts of contract ... for the year 2017 AD), and the item (adjusted carried-forward losses capped at 25% of the taxable profits according to the submitted return for the year 2017 AD). Whereas there is no blame on the Circuit for adopting the grounds of the appealed decision without any addition thereto, whenever it assesses that those grounds suffice without citing anything new, because by affirming it based on what those grounds carried, it is confirmed that it did not find in the challenges directed at the decision anything that warrants a response beyond what those grounds contained. And since this is the case, and it is established that the appealed decision regarding the dispute concerning the challenged items came in accordance with the sound grounds upon which it was based and which are sufficient to uphold its judgment, as the Circuit that issued it undertook the scrutiny of the core of the dispute therein and concluded in its regard to the outcome it reached in its operative part. And whereas this Circuit did not notice anything that requires rectification or comment in light of the defenses raised before it, this leads this Circuit to conclude the rejection of the Taxpayer's appeal and affirmation of the appealed Resolution Circuit's decision regarding the outcome it reached in these items, based on its grounds.

Regarding the Taxpayer's appeal concerning the item (Late payment penalty for the year 2017 AD), and whereas the Taxpayer requests the annulment of the Resolution Circuit's decision on the basis that the Late payment penalty imposed by the Authority on items is in itself under objection, and that it arose due to the existence of a true and clear difference in viewpoints between the Authority and the company's branch. And whereas Paragraph (A) of Article (77) of the Income Tax Law issued by Royal Decree No. (M/1) dated



15/01/1425 AH stipulated that: "In addition to the penalties set forth in Article (76) of this Law and in Paragraph (B) of this Article, the Taxpayer shall pay a Late payment penalty of one percent (1%) of the unpaid tax for every thirty days of delay. This includes delay in paying the tax required to be withheld and advance payments, calculated from the due tax date until the date of payment." Also, Paragraph (1) of Article (68) of the Implementing Regulations of the Income Tax Law issued by Ministerial Resolution No. (1535) dated 11/06/1425 AH stipulated that: "Added to the penalties set forth in the previous Article is 1% of the unpaid tax for every thirty days of delay in the following cases: b- Delay in paying the due tax under the Authority's assessment." Furthermore, Paragraph (3) of Article (67) of the same Regulations stipulated that: "Unpaid tax means the difference between what the taxpayer paid on the statutory deadline and the due tax for payment pursuant to the provisions of the Law. It includes the adjustments made by the Department which have become final as stated in Paragraph (2) of Article (71) of these Regulations, including disputed cases, where the penalty is calculated from the date of the statutory deadline for submitting the return and payment." Based on the foregoing; and whereas the Late payment penalty is calculated from the due tax date on the Taxpayer, however, in the event the tax is due pursuant to a presumptive assessment, the calculation of the Late payment penalty in payment shall be from the date of the Authority's notification of the tax assessment, as the Taxpayer is unable to pay the tax difference due under the presumptive assessment except after the Authority issues the assessment subject to objection. This leads the Circuit to conclude the partial acceptance of the Taxpayer's appeal and amending the Resolution Circuit's decision by calculating the Late payment penalty from the date of the Authority's notification of the presumptive assessment.

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

Decision

First: Acceptance of the appeal procedurally from its submitter, the Taxpayer / (...) Company Branch, Commercial Registration No. (...), TIN (...), against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate No. (IZJ-2024-212183) issued in Case No. (I-212183-2023) relating to the tax assessment for the year 2017 AD.

Second: On the merits:

- 1- Rejection of the Taxpayer's appeal and affirmation of the Resolution Circuit's decision regarding the item (Lapse of the prescribed period for the year 2017 AD).
- 2- Rejection of the Taxpayer's appeal and affirmation of the Resolution Circuit's decision regarding the item (applying a profit margin of 7.43% to the works of supplying goods carried out from outside the Kingdom of Saudi Arabia to customers inside the Kingdom).



- 3- Rejection of the Taxpayer's appeal and affirmation of the Resolution Circuit's decision regarding the item (applying a profit margin of 7.43% to the discounts of contract ... for the year 2017 AD).
- 4- Rejection of the Taxpayer's appeal and affirmation of the Resolution Circuit's decision regarding the item (adjusted carried-forward losses capped at 25% of the taxable profits according to the submitted return for the year 2017 AD).
- 5- Amendment of the Resolution Circuit's decision regarding the Taxpayer's appeal concerning the item (Late payment penalty for the year 2017 AD).



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

Decision No IR-2025-246725

Case No. I-2024-246725

Keywords:

Income Tax — Procedural Acceptance — Registration of the Lawsuit — Completion of Documents — Reconsideration.

Summary:

The Taxpayer's objection against the Resolution Circuit's decision ruling the non-acceptance of the lawsuit procedurally relating to the objection against the income tax assessment for the year 2016 AD and the tax evasion penalty. The objection consisted of the fact that it submitted its lawsuit within the statutory period after the Authority rejected its objection, and that the lawsuit was closed due to the non-completion of documents despite it not being notified of the deficiencies or their details, and despite its follow-up on the status of the lawsuit, its communication with the General Secretariat, and its request to reopen the lawsuit and notify it of what needed to be completed. The Authority pleaded the expiration of the statutory period for submitting the grievance lawsuit. After the Appeal Circuit examined the lawsuit documents and the record of procedures, it concluded that the closed lawsuit contained the basic requirements for registering the lawsuit and that the Taxpayer submitted what supports its non-notification of the required documents. Therefore, the Circuit accepted the appeal procedurally and on the merits, annulled the Resolution Circuit's decision, and remanded the lawsuit to it for consideration on the merits.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Law of Criminal Procedures issued by Royal Decree No. (M/2) dated 22/01/1435 AH.
- Implementing Regulations of the Law of Criminal Procedures issued by the Council of Ministers' Resolution No. (142) dated 21/03/1436 AH.

Parties Defenses:

Defenses of the Appellant (Taxpayer)



The Taxpayer argued that it submitted the grievance lawsuit within the statutory period after the Authority rejected its objection, and that the closure of the previous lawsuit due to the non-completion of documents was incorrect because it was not notified of the existence of deficiencies or their details. It stated that it followed up on the status of the lawsuit via the website, communicated with the General Secretariat, and requested reopening the lawsuit and notifying it of any deficiency to complete the registration, without receiving a response. It also confirmed during the consideration of the new lawsuit that the Authority did not submit evidence proving it was notified of the deficiencies.

The Committee's response to the defenses:



Whereas the appellant stated that it submitted the lawsuit registered under No. (GSTC-2024-235383) within the statutory period and it was closed due to the non-completion of documents, and the appellee argues the expiration of the statutory period for submitting the grievance lawsuit. By referring to the closed lawsuit, it became evident that it satisfied the data required to register the lawsuit pursuant to the provisions of Article (11) of the Rules of Operation of the Committees, which stipulated: "Mechanism and Data for Filing a Lawsuit:- 1- The lawsuit shall be filed in accordance with the requirements determined by the General Secretariat, satisfying the following data: a- The full name of the plaintiff, and his ID number if he is a natural person; if a legal person, then the articles of association, commercial registration number, and the address of its headquarters or branch if the lawsuit relates to this branch. b- Tax or Identification Number, if any. c- The objection number with the Authority, its date, its outcome, and a copy of the objected decision. d- The full name of the agent or statutory representative - as the case may be, his ID number, his place of residence, and his workplace, if any. e- Specifying the communication means or the plaintiff's specific communication means through which he or his representative can be reached, including the mobile number. f- The subject matter of the lawsuit, the plaintiff's requests, and its grounds. g- The date of notification of the decision of the Authority or the relevant internal committee and its outcome, regarding the referred objection. More than one objection with the Authority shall not be combined in the statement of claim, and an independent lawsuit shall be registered for each objection, if any. 2- The lawsuit related to customs smuggling crimes and the like, and attempting any of them, which fall within the jurisdiction of the Customs Committees' Circuits, shall be submitted by the competent authority through the electronic system and in accordance with the requirements determined by the General Secretariat, satisfying the data set forth in the Law of Criminal Procedures and its Implementing Regulations. A lawsuit satisfying the prescribed requirements and data shall be deemed registered from the date of its submission. In the event the requirements and data are not satisfied, its submitter must complete the deficiencies within fifteen days from the date of being notified of such deficiency; if he fails to complete what is requested of him within the mentioned period, the lawsuit shall be deemed as if it had not been filed, and the plaintiff may - without prejudice to the period stipulated in Article (5) of the Rules - file a new lawsuit to be registered with a new registration. The General Secretariat may



request any statutory document that supports the validity of the data referred to in this Article. The General Secretariat shall not refer the lawsuit to the Circuits for consideration until after verifying its satisfaction of the prescribed requirements and data pursuant to this Article."

Based on the foregoing, and whereas the Taxpayer registered a lawsuit under request No. (GSTC-2024-235383), and whereas it is established from the record of procedures that it was requested on 28/04/2024 AD to submit - the articles of association. (Please complete the requirement within a period of (15) days, otherwise the lawsuit will be deemed as if it had not been filed in accordance with what is stipulated in the Rules of Operation of the Tax Committees in Article 8). And whereas it was not completed within the period, and whereas the closed lawsuit file contained the commercial registration certificate and the appellant submitted a foreign power of attorney notarized by the Saudi Ministry of Justice, and given that the closed lawsuit file contained the basic requirements, and the Taxpayer argues its non-notification of these documents according to the email sent by it to the Secretariat, this leads the Circuit to conclude the acceptance of the Taxpayer's appeal, annulment of the Resolution Circuit's decision, and remanding the lawsuit to it for consideration on the merits.

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

Decision

First: Acceptance of the appeal procedurally from its submitter, the Taxpayer / (...) Company (TIN ...), against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate No. (IZJ-2024-240705) issued in Case No. (I-2024-240705) relating to the objection against the income tax assessment for the year 2016 AD and the tax evasion penalty.

Second: On the merits:

Acceptance of the Taxpayer's appeal, annulment of the Resolution Circuit's decision, and remanding the lawsuit to it for consideration on the merits.



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

Decision No IR-2025-234645

Case No. IW-2024-234645

Keywords:

Income Tax – Unrecognized revenues – Permanent establishment – Deemed profits – Late payment penalty.

Summary:

The Authority's objection against the Resolution Circuit's decision ruling to accept the Taxpayer's objection regarding the addition of unrecognized revenues to the tax base, the withholding tax on deemed dividend distributions, and the delay penalties relating to the tax assessment for the years from 2015 AD to 2019 AD. The Authority maintained that the letters proved the existence of services provided inside the Kingdom by the Taxpayer which it did not declare in its returns, and that it did not assess the Taxpayer for the entire contracts or supply contracts, but rather for the services and works executed inside the Kingdom only. It also argued the validity of imposing the withholding tax on the estimated profits resulting from the undisclosed revenues and the validity of the Late payment penalty on the unpaid tax differences. The Circuit concluded to accept the Authority's appeal regarding the revenues item and the withholding tax item, annul the Resolution Circuit's decision regarding them, and amend the Resolution Circuit's decision regarding the Late payment penalty by calculating it from the date of the Authority's notification of the presumptive assessment.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Article (5/A/10) of the Income Tax Law issued by Royal Decree No. (M/1) dated 15/01/1425 AH.
- Article (4/B/4) of the Income Tax Law issued by Royal Decree No. (M/1) dated 15/01/1425 AH.
- Article (77/A) of the Income Tax Law issued by Royal Decree No. (M/1) dated 15/01/1425 AH.
- Article (63/1) of the Implementing Regulations of the Income Tax Law issued by Ministerial Resolution No. (1535) dated 11/06/1425 AH.
- Article (68/1) of the Implementing Regulations of the Income Tax Law issued by Ministerial Resolution No. (1535) dated 11/06/1425 AH.



Parties Defenses:

Defenses of the Appellant (the Authority)

The Authority argued that comparing the Taxpayer's returns with the contracts of the Ministry of (...) revealed material differences representing undeclared contract revenues, and that the letters received from the Ministry of (...) proved that the disputed services were provided inside the Kingdom by the Taxpayer. It stated that the accounting was limited to the works and services executed inside the Kingdom excluding supply contracts, and that the Taxpayer represents a permanent establishment of a non-resident. It also argued the validity of imposing the withholding tax on the deemed profits resulting from the undisclosed revenues, and the validity of imposing the Late payment penalty on the tax differences not paid by their statutory deadline.

The Committee's response to the defenses:

Regarding the Authority's appeal concerning the item (adding unrecognized revenues to the tax base), whereas Paragraph (A/10) of Article (5) of the Income Tax Law issued by Royal Decree No. (M/1) dated 15/01/1425 AH stipulated: "A- Income is considered generated from a source in the Kingdom in any of the following cases: 10- If the income is attributable to a permanent establishment of a non-resident situated in the Kingdom, including income from sales in the Kingdom of goods of the same or similar kind as those sold by the non-resident through the permanent establishment, and income arising from rendering services or performing another activity in the Kingdom of the same or similar nature to the activity performed by the non-resident through the permanent establishment." Also, Paragraph (B/4) of Article (4) of the same Law stipulated: "B- The following cases are considered a permanent establishment: 1- Construction sites, assembly facilities, and the exercise of supervisory activities related thereto. 2- Installations and sites used in surveying natural resources, drilling equipment, ships used in surveying natural resources, and the exercise of supervisory activities related thereto. 3- A fixed base from which a non-resident natural person carries out his activity. 4- A branch of a non-resident company licensed to conduct business in the Kingdom." Based on the foregoing, and whereas the dispute lies in the Authority's addition of the value of undeclared contracts for the years 2015 AD to 2019 AD based on the Ministry of (...)’s letter No. (...) dated 07/10/1442 AH and its attachments, which explicitly stated that the services mentioned in the letter are provided by (...) Company (the Taxpayer). Upon reviewing the case file, it became evident through the aforementioned letter and its attachments containing details of the supplies and services in the contracts concluded between the Ministry of (...) and (...) Company (United States) set forth in the Taxpayer's letters addressed to the Ministry of (...), that they stipulated the following: "The relevant services are provided inside the Kingdom through (...) Middle East for Devices Company - (...) Branch in the Kingdom," which indicates the validity of what the Authority argued regarding the existence of revenues in exchange for services provided by the Taxpayer that were not declared in its returns for the disputed years. This is not affected by the Resolution Circuit's decision to accept



the Taxpayer's objection due to the Authority's failure to provide what proves that the Taxpayer is a branch of (...) Company (United States), the main contractor with the Ministry of (...), because the core of the dispute is accounting the Taxpayer for the services it provided based on what was stated in the Ministry of (...)’s aforementioned letter, regardless of the foreign entity with which the Ministry of (...) contracted. As for what the Taxpayer mentioned in its supplementary memorandum dated 03/12/2024 AD regarding that (...) Middle East for Devices Company (the Taxpayer) concluded only one contract with the Ministry of (...) on 01/09/2019 AD, this does not negate what the Taxpayer acknowledged regarding its provision of services related to the contracts concluded between (...) (United States) and the Ministry of (...). Furthermore, the Taxpayer did not submit what proves that what it declared in its tax returns for the disputed years includes all services provided by (...) Middle East for Devices Company. Regarding the Taxpayer’s indication that the Authority subjected the entire revenues under each contract, including the supply of goods, by reviewing the Ministry of (...)’s letter No. (...) issued on 29/03/1442 AH, which clarifies the nature and value of the services provided by ((...) Middle East for Devices) Company, it became clear from the table attached to the letter that the Taxpayer was not accounted for the entire value of the contracts as the Taxpayer claims. This leads the Circuit to conclude the acceptance of the Authority’s appeal regarding the item of adding unrecognized revenues to the tax base.

Regarding the Authority’s appeal concerning the item (withholding tax on deemed dividend distributions), whereas Paragraph (1) of Article (63) of the Implementing Regulations of the Income Tax Law stipulated: "A non-resident is subject to tax on any amount it receives from any source in the Kingdom, and the tax is withheld from the gross amount according to the following rates: Dividends at a rate of 5%." Based on the foregoing, it is evident that the Authority’s procedure of imposing the withholding tax on estimated dividend distributions resulted from estimating the Taxpayer’s liability for undisclosed revenues. And whereas this Circuit concluded in item (First) relating to adding unrecognized revenues to the tax base to accept the Authority’s appeal in that item, and accordingly, since the existence of undisclosed revenues by the Taxpayer was proven as clarified above, this indicates the validity of the Authority’s procedure of imposing the withholding tax on the deemed profits. This leads the Circuit to conclude the acceptance of the Authority’s appeal regarding the item of withholding tax on deemed dividend distributions in the amount of (108,966,388.87) Riyals and the annulment of the Resolution Circuit’s decision.

Regarding the Authority’s appeal concerning the item (Late payment penalty), whereas Paragraph (A) of Article (77) of the Income Tax Law issued by Royal Decree No. (M/1) dated 15/01/1425 AH stipulated: "In addition to the penalties set forth in Article (76) of this Law and in Paragraph (B) of this Article, the Taxpayer shall pay a Late payment penalty of one percent (1%) of the unpaid tax for every thirty days of delay. This includes delay in paying the tax required to be withheld and advance payments, calculated from the due tax date until the date of payment." And based on Paragraph (1) of Article (68) of the Implementing Regulations of the Income Tax Law issued by Ministerial Resolution No. (1535) dated 11/06/1425 AH, which stipulated:



"Added to the penalties set forth in the previous Article is 1% of the unpaid tax for every thirty days of delay in the following cases: b- Delay in paying the due tax under the Authority's assessment." Based on the foregoing, it is evident that the Late payment penalty is calculated from the due tax date on the Taxpayer; however, in the event the tax is due pursuant to a presumptive assessment, the calculation of the Late payment penalty in payment shall be from the date of notifying the Taxpayer of the tax assessment, as the Taxpayer is unable to pay the tax difference due under the presumptive assessment except after the Authority issues the assessment subject to objection. Accordingly, the Circuit concludes to amend the Resolution Circuit's decision by calculating the Late payment penalty from the date of the Authority's notification of the presumptive assessment.

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

Decision

First: Acceptance of the appeal procedurally from its submitter / the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Jeddah Governorate No. (IZJ-2024-168951) issued in Case No. (IW-2023-168951) relating to the tax assessment for the years from 2015 AD to 2019 AD.

Second: On the merits:

- 1- Acceptance of the Authority's appeal regarding the item of adding unrecognized revenues to the tax base.
- 2- Acceptance of the Authority's appeal regarding the item of withholding tax on deemed dividend distributions, and annulment of the Resolution Circuit's decision.
- 3- Amendment of the Resolution Circuit's decision by calculating the Late payment penalty from the date of the Authority's notification of the presumptive assessment.



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

Decision No IR-2025-238787

Case No. I-2024-238787

Keywords:

Income Tax – Non-deductible expenses – Salaries and fees – Partner's relatives – Burden of proof.

Summary:

The Authority's objection against the Resolution Circuit's decision relating to the tax assessment for the year 2021 AD regarding the item of salaries, fees, and the like paid to the owner, partners, shareholders, and their relatives, specifically the residency renewal fees for employees' families. The Authority's objection consisted of the fact that the disputed expenses pertain to the partner's family and the partner's son, and that they are unrelated to the activity and are not considered deductible expenses, unlike the government fees specific to the owner and his son working in the company which the Authority previously accepted for deduction as they are connected to the activity and paid to a government entity. The Circuit viewed that the Resolution Circuit's amendment of the Authority's procedure led to a double deduction, and that the fees specific to dependents are not connected to the activity. Therefore, the Circuit accepted the Authority's appeal and annulled the Resolution Circuit's decision regarding the item subject of the appeal

Document

- Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Paragraph (B) of Article (13) of the Income Tax Law issued by Royal Decree No. (M/1) dated 15/01/1425 AH.
- Paragraph (1) of Article (10) of the Implementing Regulations of the Income Tax Law issued by Ministerial Resolution No. (1535) dated 11/06/1425 AH.
- Paragraph (3) of Article (57) of the Implementing Regulations of the Income Tax Law issued by Ministerial Resolution No. (1535) dated 11/06/1425 AH.



Parties Defenses:

Defenses of the Appellant (the Authority)

The Authority argued that the expenses subject of the appeal represent residency renewal fees for the families of the owner or partner and their equivalents, and are not expenses connected to the activity; hence, they may not be deducted. It stated that it had previously accepted the deduction of government fees specific to the owner and his son working in the company, deeming them necessary for the activity, whereas the fees specific to dependents and family members are not connected to generating income. It also argued that the Resolution Circuit's decision included accepting the deduction of an amount that the Authority had already accepted, which led to a double deduction.

The Committee's response to the defenses:

Whereas Paragraph (B) of Article (13) of the Income Tax Law relating to non-deductible expenses stipulated: "Any amounts paid or benefits provided to the shareholder, partner, or any of their relatives if they represent salaries, wages, rewards, and the like, or do not satisfy the conditions of transactions between independent parties against property or services." Also, Paragraph No. (1) of Article (10) of the Implementing Regulations of the Income Tax Law relating to expenses that may not be deducted stipulated: "Salaries, wages, and the like, whether in cash or in kind, paid to the owner, partner, or shareholder (except for shareholders in joint-stock companies), or to any of his family members from parents, spouse, children, and siblings." Furthermore, Paragraph (3) of Article (57) of the Implementing Regulations of the Income Tax Law stipulated: "The burden of proving the validity of the revenues, expenses, and any other data stated in the taxpayer's return lies with the taxpayer. In the event of its inability to prove the validity of what is stated in its return, the Authority may, in addition to applying any other statutory penalties, disallow the expense whose validity is not proven by the taxpayer, or make a presumptive assessment according to the Authority's point of view in light of the circumstances and facts related to the case and the information available to the Authority." Based on the foregoing, and whereas it is evident from the grounds of the appealed decision the invalidity of amending the Authority's procedure by accepting the deduction of a part of the expense which the Authority had already accepted, resulting in a double deduction, as (...) and (...) are employees in the company and therefore the residency renewal expenses are considered mandatory and compulsory for the activity as they are connected to generating income (as is the case for the rest of the employees), and they are paid to a government entity and not to the owners and their relatives personally. This is what the Authority clarified in its memorandum submitted before the Resolution Circuit by accepting their specific renewal fees and deducting them as they are necessary expenses for the activity and paid to government entities in the amount of 4,400 Riyals. As for the fees related to dependents (family members), since they are not connected to the activity, the Authority viewed rejecting and not deducting them in the amount of 23,600 Riyals due to their lack of connection to



the activity. Accordingly, the Circuit concludes to accept the Authority's appeal and annul the Resolution Circuit's decision regarding the item (Salaries, fees, and the like paid to owners, partners, shareholders, and their relatives (residency renewal fees for employees' families) for the year 2021 AD).

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

Decision

First: Acceptance of the appeal procedurally from its submitter / the Zakat, Tax and Customs Authority, against the decision of the Second Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City No. (ISR-2024-204697) issued in Case No. (I-2023-204697) relating to the tax assessment for the year 2021 AD.

Second: On the merits:

Acceptance of the Authority's appeal and annulment of the Resolution Circuit's decision regarding the item (Salaries, fees, and the like paid to owners, partners, shareholders, and their relatives (residency renewal fees for employees' families) for the year 2021 AD).



Withholding Tax



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

Decision No IR-2025-242551

Case No. W-2024-242551

Keywords:

Withholding Tax – Deemed dividend distributions – Payment event – Lapse of the prescribed period for assessment – Late payment penalty – Burden of proof.

Summary:

The Taxpayer's and the Authority's objection against the Resolution Circuit's decision relating to the tax assessment for the years from 2007 AD to 2012 AD. The Taxpayer's objection consisted of the fact that the Authority made the assessment after the expiration of the statutory deadlines for the years from 2008 AD to 2012 AD, and it also objected to imposing a withholding tax on deemed dividend distributions to the head office due to the absence of a payment, settlement, or set-off event, and because the calculated profits were estimated and not based on an actual distribution event. The Authority's objection consisted of requesting the annulment of the amendment to the Late payment penalty due to the insufficiency of the reasoning in the Resolution Circuit's decision. The Circuit concluded to accept the Taxpayer's appeal regarding the Lapse of the prescribed period for the income tax assessment and annul the Authority's procedure regarding this item, and to reject its appeal regarding the Lapse of the prescribed period for the withholding tax assessment. It also accepted its objection regarding the withholding tax on deemed dividend distributions due to the failure to prove the payment event, and the operative part did not include an independent acceptance of the Authority's appeal regarding the Late payment penalty.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Paragraph (A) of Article (65) of the Income Tax Law issued by Royal Decree No. (M/1) dated 15/01/1425 AH.
- Paragraph (A) of Article (68) of the Income Tax Law issued by Royal Decree No. (M/1) dated 15/01/1425 AH.
- Paragraphs (1), (6), and (8) of Article (63) of the Implementing Regulations of the Income Tax Law issued by Ministerial Resolution No. (1535) dated 11/06/1425 AH.



Parties Defenses:

Defenses of the Appellant (Taxpayer)

The Taxpayer argued that the tax assessment for the years 2008 AD to 2012 AD was issued after the lapse of more than five years from the date of submitting the tax returns, which makes it issued after the expiration of the statutory deadlines. It also argued the invalidity of imposing the withholding tax on deemed dividend distributions to the head office, because the Law links the withholding to a payment, settlement, or set-off event which was not proven in the lawsuit, and because the profits upon which the Authority calculated the tax are estimated profits not supported by financial statements or commercial books, and there is no independent provision in the Law or its Regulations that permits imposing a withholding tax on deemed distributions without a payment event.

Defenses of the Appellant (The Authority)

The Authority argued the validity of its decision regarding the disputed items. It also appealed what the Resolution Circuit concluded regarding the Late payment penalty for the years from 2007 AD to 2012 AD, and stated that the Resolution Circuit's decision amended its procedure without stating clear reasons sufficient to respond to them, which makes it tainted with deficiency and necessitates its annulment in this item.

The Committee's response to the defenses:

Regarding the Taxpayer's appeal concerning the item (making the tax assessment after the expiration of the statutory deadlines for the years 2008 AD to 2012 AD regarding the income tax). Whereas Paragraph (A) of Article (65) of the Income Tax Law issued by Royal Decree No. (M/1) dated 15/01/1425 AH stipulated the following: "The Authority has the right, by a reasoned notice, to make or amend the tax assessment within five years from the end of the specified deadline for submitting the tax return for the tax year. It also has this right at any time if the Taxpayer agrees to it in writing." Based on the foregoing, and whereas the dispute lies in the Authority's procedure represented in the tax assessment for the years 2008 AD to 2012 AD. Upon the Circuit's review of the case file and the submitted documents, whereas Article (65) of the Income Tax Law stipulated that the Authority has the right to make the assessment within five years from the end of the specified deadline for submitting the tax return for the tax year. And since it became evident by reviewing the assessments submitted for the disputed years that the assessment was made on the Taxpayer after the expiration of the statutory period, as the statutory deadline for making the assessment for the year 2008 AD is 29/07/2013 AD, and for the year 2009 AD is 29/07/2014 AD, and for the year 2010 AD is 29/07/2015 AD, and for the year 2011 AD is 29/07/2016 AD, and for the year 2012 AD is 29/07/2017 AD, while the Authority



made the assessment on the Taxpayer on 17/11/2017 AD, after the lapse of five years, violating thereby the provisions of Paragraph (A) of Article (65) of the aforementioned Income Tax Law. This leads the Circuit to conclude the acceptance of the Taxpayer's appeal, annulment of the Resolution Circuit's decision, and annulment of the Authority's procedure regarding the item (making the tax assessment after the expiration of the statutory deadlines for the years 2008 AD to 2012 AD regarding the income tax).

Regarding the Taxpayer's appeal concerning the item (making the tax assessment after the expiration of the statutory deadlines for the years 2008 AD to 2012 AD regarding the withholding tax). Whereas there is no blame on the Circuit for adopting the grounds of the appealed decision without any addition thereto, whenever it assesses that those grounds suffice without citing anything new, because by affirming it based on what those grounds carried, it is confirmed that it did not find in the challenges directed at the decision anything that warrants a response beyond what those grounds contained. And since this is the case, and it is established that the appealed decision regarding the dispute concerning the challenged items came in accordance with the sound grounds upon which it was based and which are sufficient to uphold its judgment, as the Circuit that issued it undertook the scrutiny of the core of the dispute therein and concluded in its regard to the outcome it reached in its operative part. And whereas this Circuit did not notice anything that requires rectification or comment in light of the defenses raised before it, this leads this Circuit to conclude the rejection of the Taxpayer's appeal and affirmation of the appealed Resolution Circuit's decision regarding the outcome it reached concerning the item (making the tax assessment after the expiration of the statutory deadlines for the years 2008 AD to 2012 AD regarding the withholding tax), based on its grounds.

Regarding the Taxpayer's appeal concerning the item (imposing a withholding tax on deemed dividend distributions to the head office for the years 2010 AD to 2012 AD). Whereas Paragraph (A) of Article (68) of the Income Tax Law issued by Royal Decree No. (M/1) dated 15/01/1425 AH stipulated the following: "Every resident, whether a taxpayer or not under this Law, and a permanent establishment in the Kingdom of a non-resident, who pay an amount to a non-resident from a source in the Kingdom, must withhold tax from the paid amount according to the following rates: ..." And based on Paragraph (1) of Article (63) of the Implementing Regulations of the Income Tax Law issued by Ministerial Resolution No. (1535) dated 11/06/1425 AH relating to tax withholding, which includes: "A non-resident is subject to tax on any amount it receives from any source in the Kingdom, and the tax is withheld from the gross amount according to the following rates: - Management fees 20%. - Royalty or proceeds, payments for services paid to the head office or a related company 15%. - Rent, technical or consulting services, air or sea freight or flight tickets, international telephone communication services, dividends, loan returns, insurance or reinsurance premiums 5%. - Any other payments 15%." Also, Paragraphs (6) and (8) of the aforementioned Article stipulated: "6- Dividends mean: any distribution from a resident company to a non-resident shareholder, and any profits transferred from a permanent establishment to related parties, taking into consideration the following: a- Dividend distributions in companies operating in the field of natural gas, oil, or hydrocarbon investment are



not subject to withholding tax. b- Partial or full liquidation of the company exceeding the paid-up capital is considered a distribution. c- The distributed company being subject to income tax does not preclude the imposition of withholding tax on the amounts distributed by it. 8- Withholding tax is imposed according to the rates specified in Paragraph (1) of this Article on the entire amount paid to the non-resident regardless of any expense it incurred to generate this income, and regardless of the regularity of accepting it or a part thereof as a deductible expense, even if the paid amounts relate to contracts concluded on a date prior to the effective date of the Law." Based on the foregoing, it is evident from the aforementioned statutory texts that imposing the withholding tax is linked to the payment process and its equivalents, such as settlement between accounts and set-off. And whereas the Authority's procedure of imposing the withholding tax on estimated dividend distributions resulted from the Authority's assessment for those years, and whereas this Circuit's decision regarding the item (making the tax assessment after the expiration of the statutory deadlines for the years 2008 AD to 2012 AD regarding the income tax) concluded to accept the Taxpayer's appeal, annul the Resolution Circuit's decision, and annul the Authority's procedure due to the Lapse of the prescribed period. In addition to the Taxpayer's argument of the absence of a payment event, as the Authority's procedure of subjecting the net profits to withholding tax was a result of them being real profits from contracts that were transferred abroad, while the Taxpayer denies the existence of a transfer or payment process. Therefore, the burden of proving the payment event falls upon the Authority to prove the existence of the payment or settlement event made to the head office. This leads the Circuit to conclude the acceptance of the Taxpayer's appeal and the annulment of the Resolution Circuit's decision regarding the item (imposing a withholding tax on deemed dividend distributions to the head office for the years 2010 AD to 2012 AD).

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

Decision

First: Acceptance of the appeal procedurally from the Taxpayer / (...) Company Branch, Commercial Registration (...), TIN (...), and the appeal submitted by the Zakat, Tax and Customs Authority, against the decision of the Second Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City No. (ISR-2024-234515) issued in Case No. (IW-2024-234515) relating to the tax assessment for the years from 2007 AD to 2012 AD.

Second: On the merits:

- 1- Acceptance of the Taxpayer's appeal, annulment of the Resolution Circuit's decision, and annulment of the Authority's procedure regarding the item (making the tax assessment after the expiration of the statutory deadlines for the years 2008 AD to 2012 AD regarding the income tax).



- 2- Rejection of the Taxpayer's appeal and affirmation of the Resolution Circuit's decision regarding the item (making the tax assessment after the expiration of the statutory deadlines for the years 2008 AD to 2012 AD regarding the withholding tax).
- 3- Acceptance of the Taxpayer's appeal and annulment of the Resolution Circuit's decision regarding the item (imposing a withholding tax on deemed dividend distributions to the head office for the years 2010 AD to 2012 AD).



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

Decision No CAR-2025-261999

Case No. PC-2025-261999

Keywords:

Withholding Tax – Technical and consulting services – Unrelated parties – Related parties – Late payment penalty.

Summary:

The Taxpayer's objection against the Resolution Circuit's decision relating to the withholding tax assessments for the period from January to December 2015 AD. Its objection consisted of the fact that the Authority subjected amounts paid to unrelated parties in exchange for technical and consulting services to a rate of 15% instead of 5%, despite the fact that the beneficiary parties are not considered related to it according to the control criteria in the Income Tax Law. It also objected to the Late payment penalty, arguing that the differences resulted from a difference in viewpoints, not from an intentional failure to pay. After the Circuit examined the documents, it became evident that the Taxpayer submitted an analytical statement and contracts proving the absence of a correlative or control relationship regarding (...) companies in Egypt, Lebanon, and Kuwait. Thus, it partially accepted its appeal to this extent and rejected the rest. It also amended the Late payment penalty in accordance with the accepted principal tax, and rejected its objection regarding the incorrect classification item for September 2015 AD.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Income Tax Law issued by Royal Decree No. (M/1) dated 15/01/1425 AH.
- Paragraph (1) of Article (63) of the Implementing Regulations of the Income Tax Law issued by Ministerial Resolution No. (1535) dated 11/06/1425 AH.
- Paragraph (3) of Article (67) of the Implementing Regulations of the Income Tax Law issued by Ministerial Resolution No. (1535) dated 11/06/1425 AH.



Parties Defenses:

Defenses of the Appellant (Taxpayer)

The Taxpayer argued that the disputed amounts were paid to unrelated parties in exchange for technical and consulting services, and therefore are subject to withholding tax at a rate of 5%, not 15%. It stated that the company is a partnership and does not own shares in the network of (...) companies around the world, nor do those companies own a share in it, so the control or relationship is not realized. It also argued that the Late payment penalty is undue because the differences arose from a difference in interpreting the texts and viewpoints, not from an intentional failure to pay, and requested the annulment of the differences and their associated penalties.

The Committee's response to the defenses:

Regarding the Taxpayer's appeal concerning the item (withholding tax differences in the amount of 2,896,618.40 Riyals for the financial periods for the months from January 2015 AD to December 2015 AD on amounts paid to unrelated parties in exchange for technical and consulting services subject to withholding tax at a rate of 15% instead of 5%). Whereas Paragraph (C-1) of Article (64) of the Income Tax Law issued by Royal Decree No. (M/1) dated 15/01/1425 AH stipulated that: "C. Companies or bodies are considered under common control if they are controlled by fifty percent (50%) or more by the same person or related persons in accordance with this Article as follows: 1- Regarding partnerships, control means ownership of the rights to its income or its capital directly or indirectly through a subsidiary company or companies of any kind." And based on Paragraph (F) of Article (68) of the Income Tax Law issued by Royal Decree No. (M/1) dated 15/01/1425 AH, which stipulated the following: "Without prejudice to Paragraphs (F, G) of this Article, if an amount is paid to a non-resident and the tax is withheld from it in accordance with the provisions of this Article, that tax shall be final, provided that no other tax is imposed on the income from which the tax was withheld." And based on Paragraph (F) of Article (68) of the Income Tax Law issued by Royal Decree No. (M/1) dated 15/01/1425 AH, which stipulated: "If the amount referred to in the Article is paid to a non-resident who exercises work in the Kingdom through a permanent establishment, and this paid amount is directly related to the work exercised by the permanent establishment, and this amount is calculated in determining the non-resident's tax base." And based on Paragraph (A) of Article (68) of the Income Tax Law issued by Royal Decree No. (M/1) dated 15/01/1425 AH, which stipulated: "Every resident, whether a taxpayer or not under this Law, and a permanent establishment in the Kingdom of a non-resident, who pay an amount to a non-resident from a source in the Kingdom, must withhold tax from the paid amount according to the following rates: 6- Any other payments determined by the Regulations." And based on Article (5) of the Income Tax Law which stipulated: "Income is considered generated from a source in the Kingdom in any of the following cases: 7- Amounts against services paid by a resident company to its head office or to



a related company." And based on Paragraph (C) of Article (5) of the Income Tax Law which stipulated: "For the purposes of this Article, the amount paid by a permanent establishment in the Kingdom to a non-resident is considered as if paid by a resident company." And based on Paragraph (C) of Article (5) of the Income Tax Law which stipulated: "For the purposes of this Article, the amount paid by a permanent establishment in the Kingdom... Paragraph No. (1) of Article (63) of the Implementing Regulations of the Income Tax Law which stipulated the following: '1- A non-resident is subject to tax on any amount it receives from any source in the Kingdom, and the tax is withheld from the gross amount according to the following rates: - Payments for technical or consulting services or international telephone communication services paid to the head office or a related company at a rate of 15%.'" Based on the foregoing, and whereas the Taxpayer requests the annulment of the differences imposed by the Authority as a result of subjecting the payments made by the company to (...) companies around the world for the period from January 2015 AD to December 2015 AD, and the Taxpayer argues that they are amounts paid to unrelated parties and therefore are subject to withholding tax at a rate of 5% and not 15% as they do not meet the provisions of Paragraph (C-1) of Article (64). By reviewing the case file, it becomes evident that the appealed Circuit's decision concluded to reject the Taxpayer's objection due to the Taxpayer's failure to submit an analytical statement of the payments to non-resident entities from which it withheld at a rate of (5%) to verify that the non-resident entities are not related to the plaintiff. By reviewing the Taxpayer's appeal brief, it becomes evident that it included an analytical statement of the payments to non-resident entities, and it also submitted a sample of the contracts for both (... - for both (Egypt, Lebanon, Kuwait)), through which the validity of what the Taxpayer argued becomes evident regarding the absence of a correlative relationship that makes those services subject to withholding tax at a rate of 15% and the absence of control regarding those contracts. This leads the Circuit to conclude the acceptance of the Taxpayer's appeal and the annulment of the Resolution Circuit's decision regarding ((...) companies in Egypt - Lebanon - Kuwait) and the rejection of the rest.

Regarding the Taxpayer's appeal concerning the item (Late payment penalty). Whereas Paragraph (A) of Article (77) of the Income Tax Law issued by Royal Decree No. (M/1) dated 15/01/1425 AH stipulated: "In addition to the penalties set forth in Article (76) of this Law and in Paragraph (B) of this Article, the Taxpayer shall pay a Late payment penalty of one percent (1%) of the unpaid tax for every thirty days of delay. This includes delay in paying the tax required to be withheld and advance payments, calculated from the due tax date until the date of payment." Also, Paragraph (C) of Article (68) of the Income Tax Law issued by Royal Decree No. (M/1) dated 15/01/1425 AH stipulated: "The person responsible under this Article for withholding the tax is personally liable to pay the value of the unpaid tax, and the delay penalties resulting therefrom in accordance with Paragraph (A) of Article (77) of this Law if any of the following cases apply to him: 1- If he did not withhold the tax as required. 2- If he withheld the tax but did not pay it to the Authority as required. 3- If he did not submit the withholding statements to the Authority as required by subparagraph three of Paragraph (B) of this Article." Furthermore, Paragraph (3) of Article (67) of the Implementing



Regulations of the Income Tax Law issued by Ministerial Resolution No. (1535) dated 11/06/1425 AH stipulated: "Unpaid tax means the difference between what the taxpayer paid on the statutory deadline and the due tax for payment pursuant to the provisions of the Law. It includes the adjustments made by the Authority which have become final as stated in Paragraph (2) of Article (71) of these Regulations, including disputed cases, where the penalty is calculated from the date of the statutory deadline for submitting the return and payment." Based on the foregoing, and whereas the dispute between the two parties is a dispute over the difference in the withholding tax rate of 5% paid by the Taxpayer instead of the 15% imposed by the Authority, and it did not arise from a significant difference in interpreting the statutory texts, accordingly, the validity of the Authority's procedure in imposing the Late payment penalty from the due date becomes evident. And whereas the Circuit concluded in the item above to partially accept the Taxpayer's appeal, which clarifies the validity of imposing the Late payment penalty from the due date on the part for which the Taxpayer's appeal was rejected, and the dropping of the Late payment penalty on the part for which the Taxpayer's appeal was accepted due to the lapse of the principal tax imposition. This leads the Circuit to conclude the partial acceptance of the Taxpayer's appeal and amendment of the Resolution Circuit's decision regarding the item (Late payment penalty).

Regarding the Taxpayer's appeal concerning the item (incorrect classification of non-resident entities benefiting from payments in exchange for technical services for the month of September 2015 AD). After the Circuit reviewed the appeal, and whereas there is no blame on the Circuit for adopting the grounds of the appealed decision without any addition thereto, whenever it assesses that those grounds suffice without citing anything new, because by affirming it based on what those grounds carried, it is confirmed that it did not find in the challenges directed at the decision anything that warrants a response beyond what those grounds contained. And since this is the case, and it is established that the appealed decision regarding the dispute concerning the challenged items came in accordance with the sound grounds upon which it was based and which are sufficient to uphold its judgment, as the Circuit that issued it undertook the scrutiny of the core of the dispute therein and concluded in its regard to the outcome it reached in its operative part. And whereas this Circuit did not notice anything that requires rectification or comment in light of the defenses raised before it, this leads this Circuit to conclude the rejection of the Taxpayer's appeal and affirmation of the appealed Resolution Circuit's decision regarding the outcome it reached concerning this item, based on its grounds.

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



Decision

First: Acceptance of the appeal procedurally from its submitter, the Taxpayer / (...) Company, Commercial Registration No. (...), TIN (...) against the decision of the Second Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City No. (ISR-2024-239299) issued in Case No. (W-2024-239299) relating to the withholding tax assessments for the period from January to December of the year 2015 AD.

Second: On the merits:

- 1- Regarding the Taxpayer's appeal concerning the item (withholding tax differences in the amount of 2,896,618.40 Riyals for the financial periods for the months from January 2015 AD to December 2015 AD on amounts paid to unrelated parties in exchange for technical and consulting services subject to withholding tax at a rate of 15% instead of 5%):
 - a) Acceptance of the Taxpayer's appeal and annulment of the Resolution Circuit's decision regarding (...) companies in Egypt - Lebanon - Kuwait) and the rejection of the rest.
- 2- Rejection of the Taxpayer's appeal and affirmation of the Resolution Circuit's decision regarding the item (incorrect classification of non-resident entities benefiting from payments in exchange for technical services for the month of September 2015 AD).
- 3- Partial acceptance of the Taxpayer's appeal and amendment of the Resolution Circuit's decision regarding the item (Late payment penalty).



Excise Tax



Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes

Decision No VA-2025-246751

Case No. E-2024-246751

Keywords:

Excise Tax – Reassessment – Energy Drink – Carbonated Drink – Late payment penalty.

Summary:

The Taxpayer's objection against the Resolution Circuit's decision ruling to reject its lawsuit regarding the reassessment of the excise tax for the period of July and August 2021 AD and the resulting penalty for delay in payment. Its objection consisted of the fact that the reassessment decision classified the disputed product as an energy drink based on an email from an employee at the Food and Drug Authority, despite the product being registered after study and scrutiny as a carbonated drink and the company possessing a free sale certificate proving this. It also argued the non-retroactivity of any subsequent change in classification, requested the assistance of an independent expert, and stated that the caffeine percentage alone is not the classification criterion. After the Appeal Circuit considered the matter, it viewed that the Resolution Circuit's decision came in accordance with the provisions of the Law and its sufficient grounds, and it did not find in the company's defenses anything that affects the outcome of the decision. Thus, it concluded to reject the appeal on the merits and uphold the Resolution Circuit's decision.

Document

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

Parties Defenses:

Defenses of the Appellant (Taxpayer)

The Taxpayer argued that classifying the product as an energy drink is not based on sufficient evidence, because the Resolution Circuit relied on an email from an employee at the Food and Drug Authority, while the product was previously registered as a carbonated drink after study and scrutiny from the competent authority. It also maintained the free sale certificate notarized by the Food and Drug Authority, and argued the inadmissibility of applying any subsequent change in classification retroactively to products previously



produced with the approval of the competent authority. It requested the assistance of an independent expert, stated that the caffeine percentage alone is not sufficient to determine the nature of the product, and that the reassessment and the resulting penalties exceeded the product's revenues.

The Committee's response to the defenses:



It became evident to the Appeal Circuit that the decision issued by the Resolution Circuit ruled to reject the Plaintiff's lawsuit regarding the reassessment of the tax period of July-August 2021 AD and the resulting penalty for delay in payment. Whereas the appellant objects to the Resolution Circuit's decision because the Circuit relied primarily on an email issued by an employee at the Food Authority, and this document is insufficient to determine that the item is an energy drink and not a carbonated drink. Furthermore, according to the principle of non-retroactivity of laws, if the conversion of the item from a carbonated drink to an energy drink is approved, this shall not be applied to what was previously produced with the approval of the competent authority. The appellant requests the assistance of an independent expert pursuant to Article (25) of the Rules of Operation of the Committees. The appellant clarified that the (...) product was registered after study and scrutiny by the Food and Drug Authority as a carbonated drink, and that it possesses a free sale certificate notarized by the Food and Drug Authority proving that it is a carbonated drink. It also clarified that it incurred losses from the product; as the total sales during the audit period from July 2021 AD to December 2022 AD amounted to (11.65) million Riyals, and the company was requested to pay (4.96) million Riyals as tax differences, in addition to (8.32) million Riyals as delay penalties; meaning a total of (13.28) million Riyals, which exceeds the total revenues from this product. The appellant pointed out that the caffeine percentage is not the determinant, but rather it depends on the total components of the drink, such as the (...) drink which contains 15 mg and the canned coffee drink which contains more than 45 mg per 100 ml, and all of them are not energy drinks. Since it is established that the appealed decision regarding the dispute under consideration came in accordance with the provisions of the Law and with the sound grounds upon which it was based and which are sufficient to uphold its judgment, as the Circuit that issued it undertook the scrutiny of the core of the dispute therein and concluded in its regard to the outcome it reached in its operative part. And whereas the Appeal Circuit did not notice anything regarding it that requires rectification or comment in light of the defenses raised before this Circuit, which leads to concluding that they have no impact on the outcome of the decision. Based on the foregoing, the Circuit concluded to report the rejection of the appeal and affirmation of the Resolution Circuit's decision regarding what it reached, based on its grounds.

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



Decision

First: Acceptance of the appeal submitted by / (...) Factory Company - Commercial Registration No. (...), procedurally.

Second: Rejection of the appeal submitted by / (...) Factory Company - Commercial Registration No. (...), on the merits.



Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes

Decision No VA-2025-239534

Case No. E-2024-239534

Keywords:

Excise Tax — Non-acceptance of the Lawsuit — Notification of the Decision — Statutory Period — Reconsideration.

Summary:

The Taxpayer's objection against the Resolution Circuit's decision ruling the non-acceptance of its lawsuit procedurally regarding the imposition of the excise tax for the periods of March, April, and May 2020 AD and the resulting penalties. Her objection consisted of the fact that the Authority did not submit the document of notification of the decision, and that her previous submission of a lawsuit and its rejection for being filed prematurely confirms her keenness to object, and that her waiting for the expiration of the statutory period was due to a procedural conflict that does not sever her right to file a grievance. After the Appeal Circuit considered the case file, it became evident to it that the Authority reported the absence of a decision issued for the periods subject of the lawsuit, and that the previous lawsuit was registered before the issuance of the Authority's result rejecting the objection, then the result was issued while it was being considered. The Circuit viewed that it was more appropriate for the Resolution Circuit to consider the lawsuit after the realization of the purpose and the issuance of the Authority's result with rejection so as not to cause the Taxpayer to miss the statutory periods. Thus, it accepted the appeal, annulled the Resolution Circuit's decision, and remanded the lawsuit for consideration.

Document

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

Parties Defenses:

Defenses of the Appellant (Taxpayer)

The Taxpayer argued that the decision of non-acceptance of the lawsuit procedurally is incorrect, because the Authority did not submit what proves her notification of the objected decision, which taints the decision



for violating the Law. She also argued that the decision violated the exception stated in the Rules of Operation of the Committees, and that she had previously submitted a previous lawsuit which was rejected for being filed prematurely, which prompted her to wait for the expiration of the statutory period before filing a new lawsuit so that it would not be ruled non-acceptable for the same reason. She maintained that the statutory period for objection was not severed, but rather she was forced to wait due to a procedural conflict.

The Committee's response to the defenses:



It became evident to the Appeal Circuit that the decision issued by the Resolution Circuit ruled the non-acceptance of the lawsuit procedurally regarding the objection against the imposition of the excise tax relating to the period of the months of March, April, and May 2020 AD and the resulting penalties. Whereas the appellant objects to the Resolution Circuit's decision due to the appellee's failure to submit the document of notification of the decision, which taints the decision by violating the Law, in addition to the fact that the decision violated the exception stated in the text of Paragraph (C) of Article (6) of the Rules of Operation for Zakat, Tax, and Customs Committees. Furthermore, she had previously filed lawsuit No. (E-2023-198555) and the lawsuit was rejected, which confirms her keenness to object, which prompted her to file the lawsuit prematurely, and this is what prompted her to wait until the statutory period specified by the text of Article (5) of the Rules of Operation of the Tax, Zakat, and Customs Committees ends so that the lawsuit is not ruled premature. After the expiration of the period, the appellant filed a new lawsuit in which the objected decision was issued. Consequently, the statutory period for objection was not severed, but rather the appellant was forced to wait due to a procedural conflict. By the Appeal Circuit's review of the case file, it is established therein that the appeal was submitted within the statutory period pursuant to Article (34) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Circular No. (25711) dated 08/04/1445 AH, which stipulates: "Without prejudice to what is stated in Paragraph (2) of Article (33) of the Rules, the appeal request shall be submitted within (thirty) days from the day following the date of its receipt, through the General Secretariat's electronic system, including the data of the appealed decision, the grounds upon which the appeal is based, and the appellant's requests, and the appeal request shall be deemed registered from the date of its submission..." And based on Article (5) of the same Rules and its text: "Anyone against whom a decision has been issued by the Authority may file a grievance with it within (sixty) days from the day following the date of his notification thereof. The Authority must decide on the grievance within (ninety) days from the date of its submission. The grievant may, within (thirty) days from the day following the date of his notification of the rejection of the grievance or its partial acceptance, or the lapse of the ninety days without deciding on it, do any of the following: a. Request the referral of the grievance to the Internal Committee for the purpose of settlement. If the Taxpayer rejects the Internal Committee's decision regarding the settlement or the period specified in the settlement rules lapses without reaching a settlement, he may object to the Authority's decision before the Resolution Circuits within (thirty) days from the date of his notification of the



Internal Committee's decision or from the lapse of the period specified in the settlement rules without reaching a settlement. The objection does not include what might have been settled with the Internal Committee. b. File a lawsuit directly before the Resolution Circuits." And based on the text of Article (6) of the same Rules and its text: "Without prejudice to what is stated in Article (5) of the Rules, the Authority's decision becomes unappealable before any other entity in any of the following cases: a. If the Taxpayer does not file a grievance with the Authority within (sixty) days from the day following the date of his notification thereof. b. If the Taxpayer does not file a lawsuit before the Resolution Circuits, or does not request the referral of his grievance to the Internal Committee for the purpose of settlement within (thirty) days from the day following the date of his notification of the decision issued by the Authority amending the grieved decision or rejecting his grievance, or from the lapse of (ninety) days from the date of submitting his grievance to it against the decision without deciding on it. c. If the Taxpayer does not object before the Resolution Circuits within (thirty) days from the day following the date of his notification of the decision issued by the Internal Committee regarding the settlement, or from the lapse of the period specified in the settlement rules, without reaching a settlement..."

After reviewing the case file and the papers it contained and what was stated in the appealed Circuit's decision, and by reviewing the minutes of the Resolution Circuit's session held on 28/04/2024 AD, which stated: "And by asking the Plaintiff's representative about the date of her notification of the Defendant's decision subject of the lawsuit, she answered that it was via a phone call and by returning to the automated system it became clear to her the existence of the Defendant's decision subject of the lawsuit, which made her submit her grievance to the Defendant on 31/05/2023 AD And by asking the Defendant's representative about the mechanism of notifying the decision, she answered that she requests a grace period to submit an additional memorandum clarifying this." After reviewing the responsive memorandum submitted by the Authority on 07/05/2023 AD, which included the Circuit's request from the Authority to provide the mechanism for notifying the decision including the date of the Authority's decisions and the notifications of those decisions, and the Authority answered that there is no decision issued by the Authority for the periods (March, April, May of the year 2020 AD) and that the invoiced amounts due to the Authority resulted from the deferred excise tax on imports of excisable goods. By referring to lawsuit No. (E-2023-198555), it became evident that it was registered on 25/05/2023 AD and the Circuit's decision was issued on 05/11/2023 AD ruling the non-acceptance of the lawsuit procedurally for being filed prematurely. During the consideration of the lawsuit, the Authority's result rejecting the objection was issued on 08/08/2023 AD. However, the Circuit did not consider the lawsuit and ruled the non-acceptance of the lawsuit procedurally for being filed prematurely. It was more appropriate for the Circuit to consider the lawsuit given the realization of the purpose and the issuance of the Authority's result with rejection during the session period, so as not to cause the Taxpayer to miss the statutory periods for grievance. This leads the Appeal Circuit to conclude the acceptance of the submitted appeal.



For these reasons and after statutory deliberation, the Circuit unanimously decided the following:

Decision

First: Acceptance of the appeal submitted by / (...), National ID No. (...), procedurally.

Second: Acceptance of the appeal submitted by / (...), National ID No. (...), on the merits, annulment of the decision of the First Circuit for the Resolution of Excise Tax Violations and Disputes in Riyadh City No. (ER-2024-229342), and remanding the lawsuit to it for consideration according to what is explained in the grounds.



Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes

Decision No VA-2025-239384

Case No. E-2024-239384

Keywords:

Excise Tax – Reassessment – Imported goods – Unit of measurement – Retail price.

Summary:

The Authority's objection consisted of the fact that the Taxpayer did not accurately disclose the items set forth in the import declaration, which led to the failure to pay the full due tax on the imported goods, and that the Authority recalculated the tax based on the retail selling price to the final consumer. It also argued that the disclosure of quantities was made using the carton as a unit of measurement, not per single unit, which caused a difference in the due tax. After the Appeal Circuit considered the lawsuit papers and what was submitted by the parties, it viewed that the Resolution Circuit's decision came in accordance with the provisions of the Law and its sufficient grounds, and it did not find in the Authority's defenses anything that requires rectification or comment or affects the outcome of the decision. Therefore, it rejected the Authority's appeal on the merits and upheld the Resolution Circuit's decision.

Document

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

Parties Defenses:

Defenses of the Appellant (The Authority)

The Authority argued that the Taxpayer did not accurately disclose the items set forth in the declaration, which resulted in the failure to pay the full due tax amount on the imported goods. It stated that it recalculated the tax based on the retail selling price to the final consumer, and that the Taxpayer disclosed the quantities using the carton as a unit of measurement and not on a single unit basis, which created a difference in the due tax and a payment less than what is required.



The Committee's response to the defenses:



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

On the Merits, upon the Appeal Circuit's review of the lawsuit papers and examination of the documents and records contained therein, and after reviewing the memoranda and responses submitted by the parties, it became evident to the Appeal Circuit that the decision issued by the Resolution Circuit ruled the annulment of the appellant's decision to reassess the excise tax in the amount of (1,932,767.8) Riyals. Whereas the appellant objects to the Resolution Circuit's decision due to the appellee's failure to accurately disclose the items set forth in the declaration, which resulted in the failure to pay the full due tax amount on the imported goods. Accordingly, the Authority recalculated the due tax based on the retail selling price to the final consumer for the items set forth in the mentioned declaration, where it also states that it imported a commodity and the quantities were disclosed using a unit of measurement (carton) and not based on a single unit, which causes a difference in the due tax and the appellee having paid an amount less than what is due. Since it is established that the appealed decision regarding the dispute under consideration came in accordance with the provisions of the Law and with the sound grounds upon which it was based and which are sufficient to uphold its judgment, as the Circuit that issued it undertook the scrutiny of the core of the dispute therein and concluded in its regard to the outcome it reached in its operative part. And whereas the Appeal Circuit did not notice anything regarding it that requires rectification or comment in light of the defenses raised before this Circuit, which leads to concluding that they have no impact on the outcome of the decision. Based on the foregoing, the Circuit concluded to report the rejection of the appeal and affirmation of the Resolution Circuit's decision regarding what it reached, based on its grounds.

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

Decision

First: Acceptance of the appeal submitted by / the Zakat, Tax and Customs Authority, procedurally.

Second: Rejection of the appeal submitted by / the Zakat, Tax and Customs Authority, on the merits.



Value Added Tax



Value Added Tax - Tax Claims between Individuals or Legal Persons



Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes

Decision No VA-2025-231913

Case No. V-2024-231913

Keywords:

Value Added Tax – Lease contract – Recipient of the service – Bearing the tax – Registration certificate.

Summary:

The appellant's objection against the Resolution Circuit's decision ruling the rejection of its claim against the tenant for the payment of the value-added tax arising from the lease contract. Its objection consisted of the fact that the Resolution Circuit erred when it relied on a provision relating to the inclusion of the tax in the advertised prices of goods and services, because the dispute does not relate to advertising prices in the market, but rather to a contractual claim for a value-added tax that was supplied and became a due liability upon the tenant. After the Appeal Circuit examined the registration certificate and the submitted documents, it was established to it that the value-added tax registration was effective from 01/01/2018 AD, and that the supplies subject of the claim occurred during the registration period, and that the fundamental principle is that the recipient of the goods or service bears the value-added tax. The appellant also submitted the statement of installments and the execution documents, and the appellee did not submit a response. Thus, the Circuit concluded to accept the appeal and compel him to pay the claimed amount.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Unified Value Added Tax Agreement for the Cooperation Council for the Arab States of the Gulf, issued by Royal Decree No. (M/51) dated 03/05/1438 AH.

Parties Defenses:

Defenses of the Appellant (Taxpayer)

The appellant argued that the Resolution Circuit's decision erred in applying the Article relating to the inclusion of the value-added tax in the advertised prices of goods and services, because that Article addresses advertising prices in the domestic market and does not apply to contracts between parties. It stated that the



subject matter of the lawsuit is not the pricing of an advertised commodity, but rather a claim for a value-added tax arising from a lease contract, and that the tax was fully supplied and became a due liability upon the appellee.

The Committee's response to the defenses:



It became evident to the Appeal Circuit that the decision issued by the Resolution Circuit ruled the rejection of the appellant's lawsuit regarding its claim for the payment of value-added tax in the amount of (60,422) Riyals. Whereas the appellant objects to the Resolution Circuit's decision because the Resolution Circuit relied on Article (25) of the Unified Value Added Tax Agreement for the Cooperation Council for the Arab States of the Gulf in not accepting the lawsuit due to the failure to include the value-added tax value for goods advertised in the domestic market for goods and services, which is a misplaced interpretation, as the Article mandates including the value-added tax with the price when advertising it, not in contracts between parties. Also, the Circuit relied on an Article not related to the subject matter of the lawsuit, as the Article pertains to prices of goods and the subject of the lawsuit is a claim for value-added tax. Furthermore, the value-added tax was fully supplied and is a due liability upon the appellee. Upon the Appeal Circuit's review of the lawsuit documents and referring to the appellant's value-added tax registration certificate, and whereas the effective date of registration is (01/01/2018 AD), and the supply occurred during the period of its registration and during the effective period of its registration, therefore it is entitled to claim the appellee for the payment of the value-added tax borne by it, as the fundamental principle pursuant to the provisions of the Agreement's articles is that the recipient of the goods or service bears the value-added tax. Whereas the Circuit requested the appellant to submit a memorandum clarifying all installments, their dates, and the rent amount from which the tax arises for each installment, provided that the memorandum is submitted no later than 24/10/2024 AD, with the appellee having the right to review and respond no later than 31/10/2024 AD. And whereas the appellant submitted a memorandum containing details of the claimed tax amount of (60,422) Riyals relating to the lease period (01/01/2018 AD to 31/12/2022 AD), and also submitted execution request documents according to the Ejar platform submitted by it against the appellee (...), but the appellee did not submit a response to the appellant, this leads the Appeal Circuit to conclude the acceptance of the appeal regarding the claim for value-added tax in the amount of (60,422) Riyals.

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



Decision

First: Acceptance of the appeal submitted by / (...) Endowments Administration, Commercial Registration No. (...), procedurally.

Second: Acceptance of the appeal submitted by / (...) Endowments Administration, Commercial Registration No. (...), on the merits, annulment of the decision of the First Circuit for the Resolution of Value Added Tax Violations and Disputes in Riyadh City No. (VR-2023-198474), and ruling to compel (...), National ID No. (...), to pay to ((...) Endowments Administration) Commercial Registration No. (...) an amount of (60,422) sixty thousand four hundred and twenty-two Saudi Riyals, representing the value-added tax arising from the lease contract subject of the lawsuit



Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes

Decision No VA-2025-235073

Case No. V-2024-235073

Keywords:

Value Added Tax – Validity of Notification – Tax Difference – Supply Works – Reconsideration

Summary:

Endowment (Waqf) (...) objected to the decision of the Resolution Circuit compelling it to pay a Value Added Tax difference of 10% for two installments of supply works, and to bear Value Added Tax at 15% for subsequent supply works related to the contract. Its objection was based on the invalidity of its notification of the lawsuit, as the notification was directed to the former trustee of the endowment, whose relationship with it had ended prior to the registration of the lawsuit, without notifying the statutory representative or using the statutorily prescribed means of notification. After the Appeal Circuit verified the case documents, the notification data, and the legal instrument relating to the termination of the former trustee's capacity, it was proven to the Circuit that the notification was issued to a party lacking legal capacity, and that such notification does not produce its statutory effects. Therefore, the Circuit accepted the appeal on the merits, annulled the Resolution Circuit's decision, and remanded the lawsuit for consideration.

Document

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

Parties Defenses:

Defenses of the Appellant (Taxpayer)

The Appellant argued the invalidity of its notification of the lawsuit, because the lawsuit was registered and directed to the former trustee of the endowment, despite the prior termination of its relationship with the endowment. This resulted in the judgment being issued in presence against the endowment and its legal representative without notifying him via any of the legal means or the communication channels registered



with the competent authorities. The Appellant asserted that valid notification is a condition for it to produce its legal effects, and that its non-fulfillment vitiates the judgment and necessitates the annulment of the Resolution Circuit's decision.

The Committee's response to the defenses:



It became evident to the Appeal Circuit that the decision issued by the Resolution Circuit ruled to compel the Appellant to pay the tax difference of (10%) for the works detailed in the operative part above, in addition to bearing the Value Added Tax at the standard rate of (15%) for all supply works related to the contract in all supply works subsequent to the two installments. Whereas the Appellant objects to the Resolution Circuit's decision due to not being validly notified of the lawsuit, as the lawsuit was registered, according to the Plaintiff's statement of claim, against the Defendant (...), who is the former trustee of the endowment (the Appellant) and whose relationship with the endowment ended on 06/06/1440 AH. This resulted in the issuance of the judgment in presence against the endowment and its legal representative (...) despite not being notified through any of the means stipulated in Article (11) of the Rules of Operation for Zakat, Tax, and Customs Committees, or through the communication channels registered with the Ministry of Interior or the General Authority of Endowments.

Whereas the legal provisions in the Law of Sharia Procedures and its Implementing Regulations stipulate the necessity of validly notifying the Defendant in order for it to produce its statutory effects, which was not fulfilled in this lawsuit. Upon the Appeal Circuit's review of the case documents, and after verifying and referring to the validity of the Appellant's defense of not being initially notified of the lawsuit as a party to the dispute (Defendant), and after verification with the relevant departments in the General Secretariat of Zakat, Tax and Customs Committees, it became evident that the notification was issued to the former trustee of the endowment/ (...), whose relationship with the endowment had ended based on the legal instrument issued by the Personal Status Court in Makkah Al-Mukarramah No. (...) dated 30/05/1440 AH. Furthermore, according to the notification notice submitted in the case file dated 17/10/2023 AD, titled (Notification Notice), which indicates it was sent to the former trustee of the endowment (...), National ID No. (...). Accordingly, the Appeal Circuit concludes to accept the submitted appeal.

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



Decision

First: Acceptance of the appeal submitted by/ Endowment (...), Commercial Registration No. (...), procedurally.

Second: Acceptance of the appeal submitted by/ Endowment (...), Commercial Registration No. (...), on the merits, Annulment of the decision of the First Circuit for the Resolution of Value Added Tax Violations and Disputes in Dammam City No. (VD-2024-206749), and remanding it to the said Circuit for consideration according to what is explained in the grounds.



Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes

Decision No VA-2025-235180

Case No. V-2024-235180

Keywords:

Value Added Tax – Capacity of the Plaintiff – Heirs – Tax Amount – Reconsideration

Summary:

The Appellant objected to the decision of the Resolution Circuit Compelling the Appellee to pay a portion of the Value Added Tax and dismissing the remaining claims. His objection was based on the fact that he does not remit the tax in his personal capacity only, but as a principal and an agent on behalf of the heirs, and that the claim represents the Value Added Tax for the contract period from 2019 to 2023, asserting that what matters is the effective date of registration, not the date of certificate issuance. After the Appeal Circuit reviewed the case documents, it became evident that the Plaintiff's capacity was conflated among being a principal plaintiff, a legal representative, a attorney, and a representative of the heirs, while the Resolution Circuit's decision was issued in his personal name. The Circuit deemed that legal capacity is a matter of public order; thus, it concluded to annul the Resolution Circuit's decision and remand the lawsuit for consideration.

Document

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

Parties Defenses:

Defenses of the Appellant (Taxpayer)

The Appellant argued that the Resolution Circuit's decision erred when it restricted the amount of Value Added Due tax to him, stating that he does not remit the tax in his personal capacity only, but as a principal and an agent on behalf of the heirs. He also argued that the tax subject to the claim relates to the contract period from 2019 AD to 2023 AD, and that his registration with the Authority was in his capacity as an agent for the heirs to remit the indivisible tax. Furthermore, he asserted that the Appellee acknowledged the contract and the validity of the relationship but failed to pay the tax throughout the contract period.



The Committee's response to the defenses:



It became evident to the Appeal Circuit that the decision issued by the Resolution Circuit ruled to compel the Appellee to pay the Appellant the Value Added Tax amount due to the Appellant and dismissed the remaining claims. Whereas the Appellant objects to the Resolution Circuit's decision on the basis that he is not solely obligated to remit the tax, as his capacity in this lawsuit is that of both principal and agent, and clarified that the claim amount is (327,977.53) Riyals, representing the Value Added Tax for the time period of the contract from 2019 AD to 2023 AD. He further noted that upon reviewing the Value Added Tax Registration Certificate No. (...), it is evident that the effective date of registration is 01/01/2029 AD, and what matters is the effective date, not the registration date. Whereas it is established that the Record of Proceedings stated that the Plaintiff is (A...), and it also stated that (A...) is a legal representative and a new attorney. Additionally, the Statement of Claim stated that (A...) is a representative of the heirs of (...), and the facts of the Resolution Circuit's decision also mentioned that (A...) submitted the claim in his capacity as an agent for the heirs of (...). However, the Circuit issued its decision and it appeared in its preamble that the Plaintiff is (A...), which obscures the true capacity of the Plaintiff in this lawsuit. This is a matter relating to public policy, which the Circuit may not violate pursuant to Article (76) of the Law of Sharia Procedures. Accordingly, this Circuit concludes to annul the Resolution Circuit's decision and remand the lawsuit to it for consideration according to what is explained in the grounds.

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

Decision

First: Acceptance of the appeal submitted by/ (...), National ID (...), procedurally.

Second: On the merits:

Annulment of the decision of the First Circuit for the Resolution of Value Added Tax Violations and Disputes in Dammam City No. (VD-2024-226233), and remanding the lawsuit to the said Circuit for consideration according to what is explained in the grounds.



Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes

Decision No VA-2025-236408

Case No. V-2024-236408

Keywords:

Value Added Tax – Real Estate Supply – Buyer – Tax Burden – Registration Threshold

Summary:

The seller objected to the Resolution Circuit's decision dismissing his lawsuit in which he claimed the Value Added Tax resulting from a real estate supply from the buyer. His objection was based on the premise that he bore the full tax liability before the Zakat, Tax and Customs Authority for the real estate subject to the supply, and that he has the right of recourse against the buyer for the Tax amount. Upon reviewing the case file, the Appeal Circuit established that the Appellant sold the real estate to the Appellee. It became evident to the Circuit that the general principle regarding Value Added Tax, being an indirect tax, is that it is borne by the recipient of the good or service, i.e., the buyer, unless a legal exception exists. Furthermore, it became evident to the Circuit that the supply took place during the implementation of the Value Added Tax, the value of the supply exceeded the mandatory registration threshold, and the seller belonged to the category obligated to register. Consequently, the Circuit accepted the appeal, annulled the Resolution Circuit's decision, and obligated the buyer to pay the Tax.

Document



- Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Article (14) of the Implementing Regulations of the Income Tax Law issued by the Minister of Finance Resolution No. (1535) dated 11/06/1425 AH.
- Unified Value Added Tax Agreement for the Cooperation Council for the Arab States of the Gulf issued by Royal Decree No. (M/51) dated 03/05/1438 AH.



Parties Defenses:

Defenses of the Appellant (Taxpayer)

The Appellant argued his right to collect the Value Added Tax amount for the real estate supply on the grounds that he bore the entire tax burden before the Zakat, Tax and Customs Authority. He stated that the Appellee is the buyer and recipient of the real estate supply, and thus, is obligated to bear the Tax resulting from that supply.

The Committee's response to the defenses:

It became evident to the Appeal Circuit that the decision issued by the Resolution Circuit rejected the Appellant's lawsuit regarding his claim to compel the Appellee to pay the Value Added Tax amount resulting from the real estate supply in dispute. The Appellant objected to the Resolution Circuit's decision, asserting his right to collect the Tax amount for the real estate subject to the tax supply, as he bore the entire tax burden before the Zakat, Tax and Customs Authority exclusively. Upon reviewing the case file, it is established that the Appellant (...) is claiming the Value Added Tax for the supply of the real estate under Deed No. (...) dated 26/08/1440 AH corresponding to 01/05/2019 AD in his capacity as the seller, and the Appellee (Company ...) is the buyer. Accordingly, the Appellant's claim against the Appellee is valid, as the fundamental principle dictates that the fundamental principle in bearing the burden of paying the Tax, as an indirect tax, on received goods and services falls upon the customer or buyer (the recipient of goods and services), except for what is exempted by a specific provision from paying the Tax on received goods and services according to certain cases set forth in Article (30) of the Unified Value Added Tax Agreement for the Cooperation Council for the Arab States of the Gulf. Furthermore, Article (14) of the Implementing Regulations of the Value Added Tax Law stipulates: "Without prejudice to Article (2) of the Law, and for the purposes of implementing the Agreement and the Law in the Kingdom, Tax shall be imposed on all supplies of goods and services made by any Taxable Person in the Kingdom, or received by any Taxable Person in the Kingdom in cases where the reverse charge mechanism applies, and on the import of goods into the Kingdom." Since the supply was concluded under the application of the Value Added Tax, the value of the supply exceeded the mandatory registration threshold, and the seller belonged to the category obligated to register, the supply is considered subject to Value Added Tax. Consequently, the buyer is statutorily obligated to pay the Tax.

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



Decision

First: Acceptance of the appeal submitted by/ (...), National ID No. (...), procedurally.

Second: Acceptance of the appeal submitted by/ (...), National ID No. (...), on the merits; Annulment of the decision of the First Circuit for the Resolution of Value Added Tax Violations and Disputes in Dammam City No. (VD-2024-227430); and Compelling/ Company (...), Commercial Registration No. (...), to pay the amount of SAR (51,750) fifty-one thousand seven hundred and fifty Riyals to the Appellant/ (...), National ID No. (...), representing the Value Added Tax for the real estate supply.



Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes

Decision No VA-2025-237816

Case No. V-2024-237816

Keywords:

Value Added Tax – Non-hearing of the lawsuit – Lapse of the prescribed period – Judicial Claim – Contract Installments

Summary:

The Appellant's objection to the Resolution Circuit's decision not to hear the lawsuit for the payments related to the year 2018 AD due to the Lapse of the prescribed period, while accepting his claim for the years from 2019 AD to 2023 AD. His objection was represented in the existence of an excuse that prevented the filing of the lawsuit on its due time, and that there were prior judicial disputes related to the contract and the Value Added Tax amount, and that filing the lawsuit before a court lacking jurisdiction interrupts the statute of limitations. And after the Appeal Circuit considered the previous lawsuits, it deemed that the first lawsuit did not interrupt the statute of limitations because it did not include a claim for the tax subject of the lawsuit, while the other lawsuit registered before the General Court did interrupt the period for not hearing the lawsuit. The Circuit concluded to reject the appeal regarding some of the 2018 AD payments, and to accept it regarding the payment of 18/10/2018 AD, remanding the lawsuit in this part.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Value Added Tax Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH.
- Civil Transactions Law issued by Royal Decree No. (M/191) dated 29/11/1444 AH.

Parties Defenses:

Defenses of the Appellant (Taxpayer)

The Appellant argued that not hearing the lawsuit regarding the 2018 payments due to the Lapse of the prescribed period is incorrect, due to the existence of an excuse that prevented filing the lawsuit on its due



time, as a dispute arose regarding the Value Added Tax and work ceased. Then the Appellee filed a lawsuit to compel him to complete the work, and a judgment was issued affirming his right to claim the Value Added Tax after completing the work. He also argued that he filed another lawsuit claiming the remaining amount of the contract value and the tax, and that a judicial claim interrupts the period of not hearing the lawsuit, even if it is before a court lacking jurisdiction.

The Committee's response to the defenses:



It became evident to the Appeal Circuit that the decision issued by the Resolution Circuit ruled not to hear the lawsuit for the payments related to the year 2018 due to the Lapse of the prescribed period. And whereas the Appellant objects to the Resolution Circuit's decision due to the existence of an excuse that stood between him and filing the lawsuit before the date of its lapse by the statute of limitations, as in the year 2020 he stopped completing the work due to the existence of a dispute over the Value Added Tax amount. Then the Appellee filed a lawsuit with the Commercial Court to compel the Appellant to complete the work, and the judgment was issued compelling him to complete the work with the right to claim the Value Added Tax amount after completing the work. Then the Appellant filed a lawsuit claiming from the Appellee the remaining amount of the contract value and the Value Added Tax amount, and that filing the lawsuit in a court lacking jurisdiction interrupts the statute of limitations. By reviewing the appeal brief, it became evident that the Appellant's objection is confined to the Circuit's decision related to not hearing the lawsuit for the payments related to the year 2018 due to the Lapse of the prescribed period; which are the following payments (12/02/2018 AD, 11/03/2018 AD, 15/04/2018 AD, 18/10/2018 AD), where the Appellant argues the existence of an excuse, which is the interruption of the statute of limitations due to the existence of two previous lawsuits, and he did not dispute the validity of the lapse of five years between the payments and the filing of this lawsuit.

And whereas Royal Decree No. (M/113) stipulated that: "The lawsuit shall not be heard in tax disputes after the lapse of five years from the due date of the amount subject of the claim or from the date of knowledge of the incident subject of the dispute, except in the case of an excuse accepted by the Committee." And whereas Article (302) of the Civil Transactions Law stipulated that: "The period of not hearing the lawsuit is interrupted in the following cases: a- The debtor's acknowledgement of the right, explicitly or implicitly. b- The judicial claim, even if it is before a court lacking jurisdiction. c- Any other judicial action taken by the creditor to adhere to his right."

And whereas the Appellant argues the existence of two previous lawsuits, and submitted a copy of the deed for each of them; it becomes evident by reviewing the first lawsuit that it is a lawsuit filed by (the Appellee / ...) for the purpose of completing the contracting works, and it did not include the plaintiff's claim for the payment of the tax subject of this lawsuit, as the Value Added Tax was mentioned in the deed by way of the



contractor's defense for not completing the works; a matter with which the Appeal Circuit deems the non-interruption of the statute of limitations pursuant to the first lawsuit. As for the other lawsuit registered before the General Court in Jazan, according to the judgment deed submitted in the case file, the statute of limitations is interrupted by it in accordance with the text of Article (302) of the Civil Transactions Law. And whereas the lawsuit was registered on 01/10/2023 AD, and its judgment deed was issued on 02/10/2023 AD, then he filed this lawsuit before the competent committee on 05/10/2023 AD; meaning it was registered approximately four days prior to the registration of the lawsuit in which the appealed decision was issued. Accordingly, the payment dated 18/10/2018 AD is the payment for which the lawsuit is valid to be heard, taking into consideration the interruption of the running period of not hearing the lawsuit due to the existence of a previous lawsuit registered on 01/10/2023 AD. As the interruption was between the registration date of the previous lawsuit on 01/10/2023 AD and the registration date of the lawsuit in which the appealed decision was issued on 05/10/2023 AD, a matter with which the Appeal Circuit concludes to reject the appeal concerning the payments related to the year 2018 due to the Lapse of the prescribed period, which are the following payments (12/02/2018 AD, 11/03/2018 AD, 15/04/2018 AD), and to accept the appeal concerning the following payment (18/10/2018 AD).

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

Decision

First: Acceptance of the appeal submitted by/ (...), National ID No. (...), procedurally.

Second: On the merits:

1. Rejection of the appeal with respect to the following installments: (12/02/2018, 11/03/2018, 15/04/2018).
2. Acceptance of the appeal with respect to the installment dated (18/10/2018), Annulment of the decision of the First Circuit for the Resolution of Value Added Tax Violations and Disputes in Jeddah Governorate No. (VJ-2024-222743), and remanding the lawsuit to the circuit that issued the decision to consider it according to what is explained in the grounds.



Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes

Decision No VA-2025-239011

Case No. V-2024-239011

Keywords:

Value Added Tax – Lease contract – Capacity of the Lessor – Contractual Relationship – Reconsideration

Summary:

The Appellants' objection to the Resolution Circuit's decision which ruled not to accept their lawsuit procedurally regarding claiming the payment of the Value Added Tax resulting from a lease contract from the Appellee. The objection was represented in the existence of a contractual relationship between them and the lessee company, and that the error in the lessor's capacity was corrected in the updated contract submitted in the case file. And after the Appeal Circuit considered [the matter], it upheld the Resolution Circuit's decision regarding the periods from 01/01/2019 AD until March 2021 AD. As for the periods from 15/03/2021 AD until 14/09/2023 AD, it was proven to the Circuit that they relate to a second contract concluded via the Ejar platform, and that the lessor's capacity was corrected therein to belong to the Appellants, and that a previous representative was merely a representative of the lessors. Therefore, it accepted the appeal partially and remanded the lawsuit for consideration regarding this period.

Document

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

Parties Defenses:

Defenses of the Appellant (Taxpayer)

The Appellants argued that the decision not to accept the lawsuit procedurally is incorrect, due to the proven contractual relationship between them and the lessee company pursuant to the lease contract. They stated that the error contained in the lessor's capacity was remedied by submitting the updated contract after amending the capacity, and that this proves their entitlement to claim the Value Added Tax resulting from the lease contract.



The Committee's response to the defenses:



It became evident to the Appeal Circuit that the decision issued by the Resolution Circuit ruled not to accept the lawsuit procedurally regarding the Appellants' claim to compel the Appellee to pay the Value Added Tax amount of (276,812.50) Riyals resulting from the lease contract concluded between them. And whereas the Appellants object to the Resolution Circuit's decision due to the existence of a contractual relationship between them and the Appellee company based on the lease contract submitted in the case file, as the error in the contract was corrected and the updated contract was submitted after amending the capacity. And upon the Appeal Circuit's review of the lawsuit documents regarding the periods from (01/01/2019 AD) until (March of the year 2021 AD), and since it is established that the appealed decision regarding the dispute under consideration came in accordance with the provisions of the Law and with the grounds upon which it was based. And whereas the Appeal Circuit did not notice anything regarding it necessitating correction or commentary in light of the submitted defenses raised before this Circuit, a matter with which it concludes to declare their lack of impact on the decision's result. Based on the foregoing, the Circuit concluded to decide the rejection of the appeal and the affirming of the Resolution Circuit's decision in what it concluded.

As for the periods from (15/03/2021 AD) until (14/09/2023 AD), and whereas it is proven that they relate to the (second) contract with record No. (...) and dated (28/04/2021 AD), as the contract stipulated that the contract duration is from the date (15/03/2021 AD) until the date (14/03/2025 AD), and it was concluded via the Ejar platform on (28/04/2021 AD) for the years from 15/03/2021 AD until 14/03/2025 AD. The lessor's capacity therein was amended, as the lessor was previously Mr. / (...) due to an error by the broker in entering the contract data, and it was amended to become as follows: "Lessor data: (...), (...), (...), (...), and (...)" with National ID numbers. Furthermore, the contract indicates that Mr. / (...) is nothing but a representative of the lessors only. And by reviewing the contract for the years from 15/03/2021 AD until 14/03/2025 AD, it became evident that it stipulates that the leased property bears deed No. (...), which is the same deed submitted by the Appellants in the case file and owned by them. And whereas the deed resulting in the tax subject of the dispute is the same deed stipulated in the contract concluded on 28/04/2021 AD and with record No. (...), through which the existence of a contractual relationship between the Appellants and the Appellee is proven. Based on the foregoing, the Appeal Circuit concludes to accept the appeal regarding the periods from 15/03/2021 AD until 14/09/2023 AD, annul the Resolution Circuit's decision, and remand the lawsuit to it for consideration in accordance with the stated grounds.

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



Decision

First: Acceptance of the appeal submitted by/ (...), National ID No. (...), and (...), National ID No. (...), and (...), National ID No. (...), and (...), National ID No. (...), and (...), National ID No. (...), procedurally.

Second: On the merits:

- 1- Rejection of the appeal on the merits regarding the years from 01/01/2019 AD to March 2021 AD, and affirmation of the Resolution Circuit's decision.
- 2- Acceptance of the appeal on the merits, annulment of the Resolution Circuit's decision regarding the periods from 15/03/2021 AD to 14/09/2023 AD, and remanding the lawsuit to it for consideration according to what is explained in the grounds.



Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes

Decision No VA-2025-246972

Case No. V-2025-246972

Keywords:

Value Added Tax – Continuous Supplies – Lease contract – Non-hearing of the lawsuit – Interruption of Lapse of the prescribed period

Summary:

The Lessor's objection to the Resolution Circuit's decision which ruled not to hear the lawsuit regarding the rest of the claimed invoices due to the Lapse of the prescribed period, while accepting it regarding a single invoice. His objection was represented in that the dispute does not relate to the lessee's right to deduct input tax, but rather to the lessor's claim against the lessee to pay the tax for which he issued invoices, recognized its revenue, and paid to the Authority, and that he had previously filed a lawsuit before the General Court on the same subject matter of the dispute. And after the Appeal Circuit considered [the matter], it deemed that the lease contract includes specific payments and is considered a supply on a continuous basis, and that the tax due date is determined according to the earliest of the due dates of entitlement, payment, or the invoice. It also considered the previous lawsuit before the General Court as interrupting the statute of limitations during the period of its consideration, and it concluded that the period, after calculating the interruption, did not exceed five years; thus, the appeal was accepted and the lawsuit was remanded for consideration on the merits.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Paragraph (8) of Article (67) of the Income Tax Law issued by Royal Decree No. (M/1) dated 15/01/1425 AH.
- Paragraph (1) of Article (20) of the Implementing Regulations of the Value Added Tax Law issued by the Board of Directors of the Zakat, Tax and Customs Authority Resolution No. (3839) dated 14/12/1438 AH.



Parties Defenses:

Defenses of the Appellant (Taxpayer)

The Appellant argued that the decision not to hear the lawsuit due to the statute of limitations regarding the rest of the invoices is incorrect, because the dispute relates to his claim as a lessor to compel the lessee to pay the Value Added Tax, not to the lessee's right to deduct input tax. He stated that he issued the tax invoices upon the lease due date and upon payment, recognized the revenue in his tax returns, and paid the tax to the Authority. He also argued that he had previously filed a lawsuit before the General Court on the same dispute, in which a judgment deed was issued, thereby interrupting the statutory period.

The Committee's response to the defenses:

It became evident to the Appeal Circuit that the decision issued by the Resolution Circuit ruled not to hear the lawsuit due to the statute of limitations regarding the rest of the invoices subject of the lawsuit. And whereas the Appellant objects to the Resolution Circuit's decision because this matter, according to the Value Added Tax Law, is related to the entitlement to deduct input Value Added Tax for the lessee (the Appellee), and is not related to the lessor's (Appellant's) claim to compel the Appellee to pay the tax. In addition, the Appellant issued the tax invoices upon the lease due date and upon payment of the lease, recognized the revenue in his tax returns, and paid the due tax to the Authority. Furthermore, he applied to the court and judgment deed No. (...) dated 29/02/1444 AH was issued, which is considered an origination of the right and adjudicates the periods referred to in Article (67) of the Tax Law. By the Appeal Circuit's review of the appeal brief and what the parties submitted during the memorandum exchange phase; and whereas the Resolution Circuit relied in its decision not to hear the lawsuit on the basis that the due date is linked to the invoice issuance date regarding the lease contract from which the Value Added Tax arises. By referring back to the lease contract, it is proven that it is an annual contract that included payments on specific dates, and according to Paragraph (1) of Article (20) of the Implementing Regulations of the Value Added Tax, it is considered a supply on a continuous basis. And whereas Paragraph (1) of Article (20) of the Implementing Regulations of the Value Added Tax stipulated: "In cases where services are supplied on a continuous basis and the contract or agreement relating to the supply provides for the payment of consideration in specific installments according to specific dates, which leads to the issuance of invoices in a continuous manner, the date of supply shall have occurred and the tax shall be due on it on the due date for the payment of the installment, the actual payment date, or the invoice issuance date, whichever is earliest, and at least once every period of twelve (12) consecutive months." And whereas the lease contract concluded between the parties to the dispute included that the dates of the rental payments are paid as follows: a first payment upon signing the contract, a second



payment on the date of 20/09/1440 AH, a third payment on the date of 20/12/1440 AH, a fourth payment on the date of 30/12/1440 AH.

And whereas the Appellant argued that he filed a lawsuit before the General Court in Makkah Al-Mukarramah under No. (...) on the exact subject of the dispute against the Appellee, and the Circuit concluded with a judgment of lack of subject-matter jurisdiction regarding the Value Added Tax. And whereas calculating the period according to Paragraph (8) of Article (67) of the Income Tax Law necessitates interrupting the statute of limitations during the period of considering the lawsuit before the General Court until the issuance of the final judgment. And whereas it is established that the date of the first payment due according to the lease contract is 01/05/1440 AH corresponding to 07/01/2019 AD, and whereas the Appellant filed his lawsuit before the General Court in Makkah Al-Mukarramah on 07/02/1443 AH corresponding to 14/09/2021 AD; accordingly, the period from the due date of the first payment to the date of starting the interruption of the statute of limitations is (two Gregorian years, eight months, and seven days). And whereas the judgment of the Court of Appeal in the Makkah Al-Mukarramah Region was issued affirming the primary judgment on 29/02/1444 AH corresponding to 25/09/2022 AD, and the Appellant filed his lawsuit at the resolution stage with the General Secretariat of the Zakat, Tax and Customs Committees on 25/07/2024 AD.

And whereas Paragraph (8) of Article (67) of the Income Tax Law stipulated: "Lawsuits in tax disputes shall not be heard after the lapse of five years from the due date of the amount subject of the claim or from the date of knowledge of the incident subject of the dispute, except in the case of an excuse accepted by the Committee." Since the period from the due date (the payment dates specified in the lease contract) to the date the Appellant filed his lawsuit at the resolution stage, after interrupting the statute of limitations, did not exceed five years.

And based on Paragraph (3) of Article (37) of the Rules of Operation of the Zakat, Tax and Customs Committees, which states: "3- If the Appeal Circuit decides to annul the resolution decision issued for lack of jurisdiction, or for accepting a subsidiary plea that resulted in preventing the proceeding of the lawsuit, or for the inadmissibility of considering it due to prior adjudication, or for not hearing it due to the lapse of the period, or for not accepting it procedurally, or for not accepting the lawsuit for lack of proper formulation, then it remands the lawsuit to the Resolution Circuit that issued the decision to consider the merits, unless the circumstances of the lawsuit are ready for adjudication, or the circumstances of the lawsuit necessitate adjudication expeditiously, or its subject matter is one upon which the decisions or principles of the Appeal Circuits have settled; in which case it is permissible to adjudicate it without remanding."

And since the Resolution Circuit did not adjudicate the merits of the lawsuit and concluded with deciding not to hear the lawsuit due to the statute of limitations, a matter with which the Appeal Circuit concludes to accept the appeal on the merits, annul the appealed Circuit's decision, and remand the lawsuit to it to consider it in accordance with what is clarified in the grounds



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

Decision

First: Acceptance of the appeal submitted by/ (...), National ID No. (...), procedurally.

Second: Acceptance of the appeal on the merits, annulment of the appealed Circuit's decision, and remanding it to the Circuit (the First Circuit for the Resolution of Value Added Tax Violations and Disputes in Jeddah Governorate) for consideration in accordance with the reasons clarified.



Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes

Decision No VA-2025-238865

Case No. V-2024-238865

Keywords:

Value Added Tax – Transfer of Company Ownership – Tax Returns – Joint Liability – Lack of Jurisdiction

Summary:

The appeal addressed the buyer's objection to the Resolution Circuit's decision which ruled to reject his lawsuit relating to claiming tax and zakat amounts he paid after the company was transferred to him. His objection was represented in that the sellers did not disclose the status of the tax and zakat returns prior to the transfer of the company, and that he was forced to pay the amounts outstanding on the record to complete the transfer of its ownership, relying on a contractual clause holding the sellers jointly liable for whatever debts and obligations may appear later. And after the Appeal Circuit considered [the matter], it deemed that the claim relating to the zakat return for the year 2022 falls outside the jurisdiction of the Value Added Tax circuits. As for the Value Added Tax claims for the fourth quarter of 2021 and the first and second quarters of 2022, they relate to obligations prior to the transfer of ownership and which appeared after it; therefore, it accepted the appeal regarding them and obligated the sellers jointly to pay. It rejected the claim relating to the fourth quarter of 2022 due to the lack of proof of its payment, and because a portion of it falls after the transfer of ownership.

Document

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

Parties Defenses:

Defenses of the Appellant (Taxpayer)

The Appellant argued that the contract stipulated the transfer of the company along with its disclosed rights and obligations; however, the Appellees did not disclose the status of the tax and Zakat returns prior to the transfer of ownership. He stated that he could not complete the transfer of the commercial registration without first paying the financial amounts pending on the register, and that he paid the tax and Zakat returns



to secure his right pursuant to the contractual clause that holds the sellers jointly liable for any debts and obligations that appear against the company.

The Committee's response to the defenses:



It became evident to the Appeal Circuit that the decision issued by the Resolution Circuit ruled to reject the Appellant's lawsuit regarding the tax claim subject of the lawsuit. Whereas the Appellant objects to the Resolution Circuit's decision due to the interpretation of the preamble of the contract—that the assignment was for the company's disclosed rights and obligations—and due to the Appellees' failure to disclose the status of the company's tax and Zakat returns and their obligation to pay them prior to its transfer to the Appellant. The Appellant was unable to complete the transfer of the commercial registration to his name until after paying the financial amounts for the tax and Zakat returns pending on the register; to secure his right under Article Sixteen of the contract, he paid all tax and Zakat returns and completed the transfer of the commercial registration. Upon the Appeal Circuit's review of the case documents, it is established that the Appellant filed his objection before the Resolution Circuit regarding the amount of (12,346) Riyals related to the Zakat return for the year 2022 AD, which falls outside the jurisdiction of the Circuit for the Resolution of Value Added Tax Violations and Disputes. Accordingly, the Appeal Circuit concludes to annul the appealed Resolution Circuit's decision and rule the Circuit's lack of jurisdiction procedurally to consider the claim regarding the Zakat return for the year 2022 AD.

Regarding the claim for the return of the fourth quarter of 2021 AD and the first and second quarters of 2022 AD, and upon the Appeal Circuit's review of the contract issued by the Ministry of Commerce under No. (...) dated 19/03/1444 AH, whereas Article (16) thereof stipulates: "Acknowledgment and Commitment: The two parties (... and ...) acknowledge that they are fully and jointly liable and shall bear any debts and obligations that may appear against the company in the future," and whereas the amounts subject of the lawsuit relate to tax obligations for periods prior to the date of the transfer of ownership but appeared after it, the Appeal Circuit concludes to accept the appeal, annul the appealed Resolution Circuit's decision, and obligate (... and ...) to pay the amount of (372,622.00) Riyals to (...).

Regarding the claim for the return of the fourth quarter of 2022 AD, whereas the transfer of the company's ownership was proven on 15/10/2022 AD, and the fourth quarter period begins on October 1 and ends on December 31, the liability of the Defendants (Appellees) is therefore limited to a minor portion of the period, namely from 01/10/2022 AD to 15/10/2022 AD. However, the Plaintiff (Appellant) is claiming the entire fourth quarter from them. In addition, while he submitted proof of paying the tax for the other disputed tax periods, he did not provide proof of its remittance to the Zakat, Tax and Customs Authority for the fourth quarter of 2022 AD. Accordingly, the Appeal Circuit concludes to reject his lawsuit regarding the Value Added Tax claim for the fourth quarter of 2022 AD.



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

Decision

First: Acceptance of the appeal submitted by/ (...), National ID No. (...), procedurally.

Second: Annulment of the decision of the First Circuit for the Resolution of Value Added Tax Violations and Disputes in Jeddah Governorate No. (VJ-2024-230787), and ruling the Circuit's lack of jurisdiction procedurally to consider the claim regarding the Zakat return for the year 2022 AD.

Third: Compelling (...), National ID No. (...), and (...), National ID No. (...), jointly, to pay the amount of (372,622.00) three hundred seventy-two thousand, six hundred twenty-two Riyals to (...), National ID No. (...), representing the Value Added Tax for the tax periods of the fourth quarter of 2021 AD and the first and second quarters of 2022 AD.

Fourth: Rejection of the Plaintiff's lawsuit regarding the Value Added Tax claim for the fourth quarter of 2022 AD.



Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes

Decision No VA-2025-265242

Case No. VT-2025-265242

Keywords:

Value Added Tax – Tax Invoices – Rental Installments – Non-hearing of the lawsuit – Interruption of the Lapse of the prescribed period

Summary:

The appeal addressed the lessee's objection to the Resolution Circuit's decision not to hear his request to compel the Waqf supervisor to deliver the tax invoice for the third payment of the first rental year. His objection was represented in that he did not exceed the statutory period, and that he continued to inquire via tickets and email, then submitted a petition for reconsideration regarding a previous decision. And after the Appeal Circuit considered [the matter], it deemed that the resolution decision calculated the period of not hearing the lawsuit from the invoice due date, although it is established that there was a judicial lawsuit related to the lease contract subject of the invoices, whose final judgment was issued later, which interrupts the period of not hearing the lawsuit in accordance with the Civil Transactions Law, and a new period begins from the end of the effect of the cause of interruption. It also decided that obtaining the tax invoice is an inherent right of the customer whenever the payment of the price is proven. Thus, it concluded to accept the appeal, compel the Waqf supervisor to deliver the tax invoices subject of the claim, not accept the compensation request, and dismiss the request to review the judicial judgment as it falls outside the jurisdiction.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Paragraph (1) of Article (76) of the Law of Sharia Procedures issued by Royal Decree No. (M/1) dated 22/01/1435 AH.
- Articles (204) and (302) of the Civil Transactions Law issued by Royal Decree No. (M/191) dated 29/11/1444 AH.



Parties Defenses:

Defenses of the Appellant (Taxpayer)

The Appellant argued that his request to be delivered the tax invoice for the third installment of the first rental year did not exceed the legal period. He stated that he submitted several tickets and emails within a year after the issuance of the first decision to inquire about the required amount, and that the replies stated the trustee had changed. He also argued that he later filed a petition for reconsideration, insisting on his right to obtain the tax invoices for the disputed rental installments.

The Committee's response to the defenses:

It became evident to the Appeal Circuit that the decision issued by the Resolution Circuit ruled the non-hearing of the plaintiff's claim to compel the defendant to deliver the tax invoice for the third installment of the first rental year subject of the lawsuit. Whereas the Appellant objects to the Resolution Circuit's decision because he did not exceed the stipulated statutory period, pointing out that he submitted dozens of emails and tickets over a year after the first decision was issued against him to inquire about the required amount—which exceeded dozens of times the required tax—and the response to the emails and tickets was that the trustee is a different trustee. The Appellant confirmed that he subsequently filed a petition for reconsideration regarding Decision No. (VTR-2023-90145).

Upon the Appeal Circuit's review of the case documents and the parties' submissions during the memorandum exchange phase, and whereas the Resolution Circuit's decision was based on the fact that the due date of the tax invoice for the third installment of the first year was (29/10/2019) and the claim was submitted on (07/12/2024), i.e., after the lapse of the five-year period from the due date. Whereas Article (302) of the Civil Transactions Law stipulates: "The period for the non-hearing of a lawsuit is interrupted in the following cases: ... b- A judicial claim, even if before an incompetent court." Whereas it is established that there is a judicial lawsuit related to the dispute regarding lease contract No. (...) subject of those invoices, for which the preliminary judgment was issued on (24/3/1441 AH corresponding to 21/11/2019 AD), and the final instrument in this lawsuit was issued on (13/08/1443 AH corresponding to 16/03/2022 AD). This shows that the period was interrupted until the issuance of the aforementioned instrument. Whereas Article (204) of the Civil Transactions Law stipulates: "If the period for the non-hearing of a lawsuit is interrupted, a new period similar to the first period shall commence from the cessation of the effect resulting from the cause of interruption." Accordingly, the Lapse of the prescribed period should have been calculated from the date of the instrument's issuance, not the due date. Given that obtaining the tax invoice is an inherent right of the customer, provided he proves payment of the price through payment invoices pertaining to the execution procedure, in addition to the Resolution Circuit's conclusion regarding Compelling the Appellee for the



remaining installments (the tax invoices for the rental installments due for the second and third rental years). Therefore, the Appeal Circuit concludes by ruling to compel the Appellee... (Saudi national), National ID No. (...), in his capacity as the endowment trustee, to deliver to the Appellant... (Saudi national), National ID No. (...), the tax invoices related to the third installment of the first rental year, the tax invoices related to the first, second, and third installments of the second rental year, and the tax invoices related to the first, second, and third installments of the third rental year.

As for the claim for compensation for the damage resulting from the suspension of the plaintiff's services, this Circuit has no jurisdiction to consider it.

As for the request to review the judicial judgment issued under No. (...) and appeal No. (...), upon the Appeal Circuit's review of the judicial judgment, it became evident that it relates to a rental claim between the parties of the lawsuit and falls outside the Circuit's jurisdiction. Whereas Paragraph (1) of Article (76) of the Law of Sharia Procedures stipulates: "A plea of the court's lack of jurisdiction due to the absence of its mandate, or due to the type or value of the lawsuit, or a plea of non-acceptance of the lawsuit due to the lack of standing, legal capacity, or interest, or for any other reason, as well as the plea of inadmissibility to hear the lawsuit due to prior adjudication; may be raised at any stage the lawsuit is in, and the court shall rule on it on its own motion." A matter with which the Appeal Circuit concludes to dismiss the lawsuit regarding the claim to consider the above judicial judgment.

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

Decision

First: Acceptance of the appeal procedurally.

Second: On the merits: Annulment of the decision of the First Circuit for the Resolution of Value Added Tax Violations and Disputes in Jeddah Governorate, and ruling the following:

A. Procedurally:

- 1- Acceptance of the lawsuit procedurally regarding the claim for the delivery of the tax invoices.
- 2- Non-acceptance of the lawsuit procedurally regarding the claim for compensation for the damage resulting from the suspension of the plaintiff's services.
- 3- Dismissing the lawsuit regarding the request to review the judicial judgment issued under No. (...) and appeal No. (...).

B. On the merits: Ruling to compel the Appellee (...) (Saudi national), National ID No. (...), in his capacity as the endowment trustee, to deliver to the Appellant... (Saudi national), National ID No. (...), the tax invoices related to the third installment of the first rental year, the tax invoices related to the first, second, and third



installments of the second rental year, and the tax invoices related to the first, second, and third installments of the third rental year.



Value Added Tax – Tax Valuation and Assessment



Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes

Decision No. VA-2025-238925

Case No. VR-2024-202913

Keywords:

Value Added Tax – Payment Notices – Abandonment of Litigation – Penalties – Partial Acceptance

Summary:

The objection of the Zakat, Tax and Customs Authority to the Resolution Circuit's decision which ruled to reject its lawsuit claiming the principal Value Added Tax for the periods of the second, third, and fourth quarters of 2018 AD, the third quarter of 2019 AD, and the second and third quarters of 2021 AD, and to dismiss the penalties. The Authority adhered to the validity of the claim procedures in accordance with the State Revenues Law, and the proof of its claim for the principal tax and penalties. And whereas it was proven to the Circuit that the Authority submitted a request to abandon the litigation for the periods of the year 2018 AD and the third quarter of 2019 AD, as the statutory validity of the initial and final notifications for the periods of the second and third quarters of 2021 AD was also proven. And it concluded, regarding the penalties, that there is nothing warranting correction of the Resolution Circuit's decision; the implication of this is: acceptance of the appeal procedurally, acceptance of the abandonment of litigation for certain periods, acceptance of the Authority's appeal regarding the principal tax for the two periods of 2021 AD, and rejection of the appeal regarding the penalties.

Document

- Articles (13) and (14) of the State Revenues Law issued by Royal Decree No. (M/68) dated 18/11/1431 AH.
- Article (92) of the Law of Sharia Procedures issued by Royal Decree No. (M/1) dated 22/01/1435 AH.
- Article (6) of the Implementing Regulations for the Methods of Objection to Judgments issued by the Minister of Justice's Resolution No. (512) dated 05/01/1445 AH.



Parties Defenses:

Defenses of the Appellant (The Authority)

The Authority argued the validity of its claim for the principal Value Added Tax and the penalties subject of the lawsuit, and the soundness of the procedures for notifying the taxpayer in accordance with the State Revenues Law. It also argued that the taxpayer's subsequent lawsuits do not negate the establishment of the debt and do not affect the validity of the Authority's claim, which was based on preliminary and final claim notices. It adhered that its claim included the principal tax, late payment penalties, and the penalty for error in the tax return at all stages of the lawsuit.

The Committee's response to the defenses:

It became evident to the Appeal Circuit that the decision issued by the Resolution Circuit ruled to reject the lawsuit regarding the claim to pay the principal tax amount resulting from the reassessment for the second, third, and fourth quarters of 2018 AD, the third quarter of 2019 AD, and the second and third quarters of 2021 AD, and to dismiss the claim for the penalty amounts. Regarding the tax periods of the second, third, and fourth quarters of 2018 AD and the third quarter of 2019 AD, and whereas it is established according to the data and documents submitted in the lawsuit that the Appellant filed a request to abandon the lawsuit. Based on Article (92) of the Law of Sharia Procedures, which stipulates: "The plaintiff may abandon the litigation by a notice directed to his opponent, or by a report from him with the competent clerk in the court, or by an explicit statement in a memorandum signed by him, or his representative, with his opponent being informed of it, or by expressing the request verbally in the hearing and recording it in its minutes; the abandonment shall not occur after the defendant has presented his defenses except with his acceptance." And based on Article (6) of the Implementing Regulations for the Methods of Objection to Judgments, which stipulates: "1- Whoever has the right to object may - before or after filing the objection request - waive his right to object by a memorandum submitted to the court that issued the judgment or the one considering the objection - as the case may be. 2- If the objector waives his right to object after filing the request, the court shall in all cases decide to accept the abandonment of the litigation in the objection." Accordingly, the Circuit concluded by ruling to accept the abandonment of the litigation in the objection regarding the tax periods of the second, third, and fourth quarters of 2018 AD and the third quarter of 2019 AD.

Regarding the tax periods for the second and third quarters of 2021 AD, whereas the Appellant objects to the Resolution Circuit's decision due to the soundness of its position and procedures in notifying the Appellee regarding the claim to pay the Value Added Due taxes and penalties according to the State Revenues Law. Concerning the principal tax, since the lawsuits referred to in the appealed decision were registered on a date subsequent to the lawsuit submitted by the Authority subject of the appeal, and also subsequent to the



Authority's notices of preliminary and final claims. Furthermore, the mere commencement of litigation procedures by the Appellee after the Authority filed the claim lawsuit in accordance with the provisions of the State Revenues Law does not mean that the Authority's claim was for an unestablished debt, as the Authority initiated its procedures according to statutory requirements and founded its lawsuit on a correct basis pursuant to preliminary and final claim notices. Upon the Appeal Circuit's review of the documents submitted by the Appellant (the Authority), which include the Authority's notices to the Appellee (the taxpayer) for payment for the (second and third) quarters of 2021. Whereas, regarding the (second) quarter, it is established that the Authority notified the Appellee with a document titled "First Claim for Payment of Value Added Due taxes" dated (18/01/2023). Subsequently, the Authority notified the taxpayer of the final claim on (05/03/2023), in accordance with the document submitted by the Authority titled "Final Claim for Payment of Value Added Due taxes". Therefore, the Authority adhered to the law's stipulations, as it notified the taxpayer of the preliminary claim with the obligation to pay within (30) working days, and then after the lapse of more than (30) working days, the Authority notified him of the final claim for payment of the amounts with the obligation to pay the dues within (15) working days, which thereby proves the correctness and soundness of the Authority's procedure subject of the lawsuit for the (second) quarter period of 2021. Regarding the (third) quarter period of 2021, whereas the Authority notified the Appellee with a document titled "First Claim for Payment of Value Added Due taxes" dated (15/02/2023), and then the Authority notified the taxpayer of the final claim on (03/04/2023) according to the document submitted by the Authority titled "Final Claim for Payment of Value Added Due taxes". Therefore, the Authority adhered to what was stipulated by the law, as it notified the taxpayer of the preliminary claim with the obligation to pay within (30) working days, and then after the lapse of more than (30) working days, the Authority notified him of the final claim for payment of the amounts with the obligation to pay the dues within (15) working days. This proves the correctness and soundness of the Authority's procedure subject of the lawsuit for the (third) quarter period of 2021. By reviewing the Authority's notices, it is proven that it notified the taxpayer in a statutory and correct manner, based on Article (13) of the State Revenues Law which stipulated: "Whoever delays performing the debt due to the State by the specified date, the entity shall notify him in writing of the obligation to perform it within thirty (30) working days from the date of the notice", and Article (14) of the State Revenues Law which stipulated: "If the debtor does not pay the debt due upon him during the period referred to in Article (13), he shall be given a final warning to pay within (15) fifteen working days, and if this period expires and he has not paid the debt due upon him, the entity must take the necessary procedures before the competent court to attach his assets within the limits of the debt upon him." Accordingly, the Appeal Circuit concludes to accept the appeal regarding the tax periods for the second and third quarters of 2021.

Regarding the penalties subject of the claim, whereas the Appellant objects to the Resolution Circuit's decision because it is established from the lawsuit papers and memorandums that the Authority registered in the case file that the Authority's claim settled on specifying the total claim at the amount of (985,148.83)



Riyals, representing the value of the due tax for the tax periods subject of the lawsuit as well as the late payment penalties and the penalty for error in the tax return, and this claim was adhered to by the Authority at all stages of the lawsuit. Since it is established that the appealed decision concerning the dispute under consideration was consistent with the provisions of the law and the reasons upon which it was built, and whereas the Appeal Circuit noticed nothing regarding it that warrants rectification or commentary in light of the submitted defenses raised before this Circuit, it thereby concludes that they do not affect the outcome of the decision. Based on the aforementioned, the Circuit concluded by ruling to reject the appeal and uphold the Resolution Circuit's decision in what it concluded.

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

Decision

First: Acceptance of the appeal submitted by/ the Zakat, Tax and Customs Authority, procedurally.

Second: On the merits:

- 1- Acceptance of the abandonment of litigation in the objection regarding the periods of the second, third, and fourth quarters of 2018 AD, and the third quarter of 2019 AD.
- 2- Acceptance of the Authority's appeal on the merits, annulment of the appealed Resolution Circuit's decision, and ruling to compel the Appellee/ (...), National ID No. (...), to pay the Appellant/ the Zakat, Tax and Customs Authority, the tax amount for the periods of the second and third quarters of 2021.
- 3- Rejection of the appeal on the merits regarding the penalties subject of the lawsuit.



Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes

Decision No VA-2025-241114

Case No. V-2024-241114

Keywords:

Value Added Tax – Reassessment – Purchases – Lack of Jurisdiction – Rejection of the Lawsuit

Summary:

A mutual appeal by the Taxpayer and the Zakat, Tax and Customs Authority against the Resolution Circuit's decision which ruled a lack of subject-matter jurisdiction to consider the lawsuit relating to the reassessment of the third quarter of 2020 AD and the penalties resulting therefrom. Whereas the Taxpayer argued the invalidity of amending the return, increasing the revenues, and excluding the purchases, despite being assessed on an estimated basis and the impossibility of compelling him to maintain regular accounts. And the Authority argued that the Resolution Circuit did not exhaust its mandate and that the lawsuit does not fall outside its jurisdiction. And whereas the Appeal Circuit deemed that the lack of jurisdiction decision was issued after remanding the lawsuit from the appeal, and that it has the right to consider the lawsuit on the merits in accordance with the Rules of Operation of the Committees. Then the insufficiency of the Taxpayer's documents to prove the period's purchases and the value of the excluded amounts was proven to it; the implication of this is: acceptance of the two appeal requests procedurally, annulling the lack of jurisdiction decision, rejecting the Taxpayer's lawsuit on the merits, and affirming the Authority's decision.

Document

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

Parties Defenses:

Defenses of the Appellant (Taxpayer)

The Taxpayer argued the invalidity of the reassessment of the third quarter of 2020 and the penalties resulting therefrom, due to the Authority amending the return and increasing the revenues without basis or justification, and not approving the purchases proven in his return. He also argued that he is assessed on an estimated basis and does not maintain regular accounts; thus, it is invalid to compel him to submit a trial



balance, customer accounts, and opening and closing balances, and he adhered to submitting the sales statement and purchase invoices.

Defenses of the Appellant (the Authority)

The Authority argued that the Resolution Circuit's decision of lack of jurisdiction is incorrect, because the principle of exhaustion of mandate is not realized unless the Circuit has exhausted its effort in the substantive issue which it adjudicated with a definitive decision. However, if it has not exhausted that effort, then the lawsuit remains within its mandate, and it requested the acceptance of the appeal.

The Committee's response to the defenses:



It became evident to the Appeal Circuit that the decision issued by the Resolution Circuit ruled that the Resolution Circuit lacks subject-matter jurisdiction to hear the lawsuit concerning the Appellant's (... Establishment Branch) objection to the Appellee's decision regarding the reassessment of the third quarter of 2020 and the consequential penalties. Whereas this lawsuit was considered by the First Circuit for the Resolution of Value Added Tax Violations and Disputes in Riyadh City, which issued Decision No. (VR-2023-152724) On the merits of the lawsuit referred to above, and whereas the Appeal Circuit's Decision No. (VA-2024-198361) ruled to annul the Resolution Circuit's decision and remand it back to it according to what is explained in the grounds. Since the First Circuit for the Resolution of Value Added Tax Violations and Disputes in Riyadh City decided that it lacks subject-matter jurisdiction to hear the lawsuit after it was remanded from the appeal; and based on Paragraph (2) of Article (37) of the Rules of Operation for Zakat, Tax, and Customs Committees, which stipulates: "If the Resolution Circuit's decision is consistent in its outcome with its basis, the Appeal Circuit shall uphold it, adding any reasons it deems fit; however, if it annuls it, it shall resolve the annulled part after pleading," and also what is stipulated in Paragraph (3) of the same Article: "If the Appeal Circuit decides to annul a Resolution Circuit's decision issued on the grounds of lack of jurisdiction, acceptance of a procedural defense leading to the stay of proceedings, admissibility after prior adjudication, inadmissibility due to the lapse of the prescribed period, procedural inadmissibility, or inadmissibility due to lack of specification, it shall remand the lawsuit to the Resolution Circuit that issued the decision for consideration On the merits, unless the circumstances of the lawsuit are ready for resolution, the circumstances necessitate expedited resolution, or its subject matter is one on which the decisions or principles of the Appeal Circuits are settled; in such cases, it may resolve without remanding." Whereas resolving the subject matter of the dispute is related to annulment of the Resolution Circuit's decision ruling the lack of jurisdictional competence. Accordingly, the Circuit decides to accept the appeal requests procedurally, annul the Resolution Circuit's Decision No. (VR-2024-236614), and consider this lawsuit on the merits.



As to the merits, whereas the Appellant (... Establishment Branch) objects to the Authority's amendment of the return and the increase of revenues for that period without basis or justification, as well as the non-approval of the purchases recorded in the return submitted by the taxpayer. Whereas the Authority requested a trial balance, customer accounts, and opening and closing balances, which is a matter that cannot be approved since the taxpayer is assessed on an estimated basis and does not maintain regular accounts; accordingly, it cannot be obligated to act contrary to the Saudi accounting standards and international accounting disclosure requirements. Furthermore, the Appellant submitted a sales statement as well as purchase invoices. Upon the Appeal Circuit's review of the statement of claim, and whereas the appeal of the Establishment Branch (for renting wedding supplies) concerns the Authority's procedure of excluding purchases, pointing to the availability of the statement of purchases for the period and its right to deduction. Upon examining the case file, it became evident that the data submitted by the Appellant were insufficient, as the value of the excluded amounts in the disputed item was not clear, nor did it submit a statement of purchases for the disputed tax period. Therefore, and whereas the Appellant failed to submit supporting documentation proving the validity of its defenses, the Appeal Circuit concludes to reject the lawsuit of the (... Establishment Branch).

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

Decision

First: Acceptance of the both appeals procedurally.

Second: Annulment of the decision of the First Circuit for the Resolution of Value Added Tax Violations and Disputes in Riyadh City No. (VR-2024-236614).

Third: Rejection of the lawsuit of the Establishment (...) regarding the assessment of the third quarter of 2020 and the resulting penalties, and affirmation of the decision of the Zakat, Tax and Customs Authority.



Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes

Decision No VA-2025-242107

Case No. V-2024-242107

Keywords:

Value Added Tax – Domestic Sales – Input Tax – Sufficiency of Documents – Partial Acceptance

Summary:

The Taxpayer's objection to the Resolution Circuit's decision which ruled to reject his lawsuit regarding the reassessment of the fourth quarter of 2020, and the resulting subjection of domestic sales to the standard rate, the exclusion of taxable purchases, and the imposition of the two penalties for error in the return and late payment. Whereas he argued that the differences represent an earned discount, that he submitted the required documents, and that the Authority bears the responsibility for not delivering them to the auditor. And whereas it was proven to the Circuit that the Authority accepted a portion of the sales item for being transfers between the Taxpayer's accounts, and it also accepted a portion of the purchases due to the proof of their documents. It concluded to reject the remaining portion of the sales due to the insufficiency of documents, and to accept the rest of the purchases due to the submission of the purchases statement and the supporting invoices; the implication of this is: acceptance of the appeal procedurally, establishing the partial resolution of the dispute, partial acceptance of the appeal regarding the purchases and penalties, and amending the Circuit's decision accordingly.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Paragraph (1) of Article (42) and Article (43) of the Value Added Tax Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH.
- Paragraph (1) of Article (48) of the Unified Value Added Tax Agreement for the Cooperation Council for the Arab States of the Gulf issued by Royal Decree No. (M/51) dated 03/05/1438 AH.
- Article (14) and Paragraph (7/c) of Article (49) of the Implementing Regulations of the Value Added Tax Law issued by the Board of Directors of the Zakat, Tax and Customs Authority Resolution No. (3839) dated 14/12/1438 AH.



Parties Defenses:

Defenses of the Appellant (Taxpayer)

The Taxpayer argued the invalidity of subjecting an additional amount within the item of domestic sales subject to the standard rate, because the differences between the trial balance and the tax return represent an earned discount that has no relation to sales. He also argued the invalidity of excluding the purchases subject to the standard rate, due to him submitting the required documents during the audit and lawsuit stages, and that the responsibility for not delivering them to the auditor falls upon the Authority. And he adhered to canceling the two penalties for error in the return and late payment, due to their subordination to the principal assessment subject of the objection.

The Committee's response to the defenses:

It became evident to the Appeal Circuit that the Appellant objected to the decision of the Resolution Circuit, which rejecting his lawsuit regarding his objection to the Appellee's decision to subject an amount of SAR 1,426,728.82 to the domestic sales item subject to the standard rate, resulting in a tax liability of SAR 214,009.32 for the fourth quarter of 2020. Article (14) of the Implementing Regulations of the Value Added Tax Law stipulates: "Without prejudice to Article (2) of the Law, and for the purposes of implementing the Agreement and the Law in the Kingdom, Tax shall be imposed on all supplies of goods and services made by any Taxable Person in the Kingdom, or received by any Taxable Person in the Kingdom in cases where the reverse charge mechanism applies, and on the import of goods into the Kingdom." Upon review of the case file, the Circuit determined that the Appellee reassessed the tax period in dispute due to the failure to submit the required documents. The Appellant declared SAR 3,885,842.90 under the item of sales subject to Tax at the 15% rate, and the Appellee reassessed the tax period and subjected an amount of SAR 1,426,728.82 thereto. The basis for the Resolution Circuit's decision was its dismissal due to the failure to provide an analytical statement of the amounts listed in the bank statement and samples of sales invoices. Upon review of the documents submitted by the Appellant, he provided a file titled "Analysis of Bank Deposits and Trial Balance." It stated that the difference between the sales according to the trial balance of SAR 3,968,891.01 and those declared of SAR 3,885,842.90, amounting to SAR 83,048.11, constitutes an "earned discount" appearing in the trial balance as a result of a discount provided by suppliers due to the purchase of goods, which is unrelated to sales. Referring to the trial balance, it is evident that the credit balance of the earned discount is SAR 84,253.88, indicating a discrepancy between the amount mentioned and the trial balance, as well as upon reconciling the revenue account in the trial balance with what was declared, where the revenue account appears under number (...) with a value of SAR 4,002,322.89. Furthermore, regarding the Taxpayer's plea that the bank statements include bank transfers totaling SAR 1,574,129 and that the Authority subjected



the entire bank statements to Tax, a review of the bank statements attached by the Appellant reveals the details as follows: 367,336.44 / 2,581,392.33 / 1,416,055.50 / 469,332 / 1,275,340.17, totaling SAR 6,109,406, while the total item after the adjustment by the Authority is SAR 5,312,570.82. This demonstrates that the Authority did not subject the entirety of the bank statements attached by the Taxpayer to Tax, as the bank transfers that the Taxpayer claims to be out-of-scope amount to SAR 1,574,129, which exceeds the amount subjected by the Authority to the item. Moreover, what the Appellant submitted as a sample of sales invoices in the file titled "Sample of Sales Invoices" is a report detailing invoices rather than the invoices themselves. Given that the Appellee acknowledged the acceptance of a portion of the amount according to its response memorandum (2) dated 22/01/2025, where it clarified regarding the item of sales subject to Tax at the standard rate—in which it subjected sales amounting to SAR 1,426,728.82 to the item—that the amount of SAR 1,368,807.82, with Tax of SAR 205,321.17, pertains to transfers between the Appellant's accounts, it was accepted as being outside the scope of Tax, and a request for proof of settlement of the dispute regarding this portion was made. Accordingly, the Circuit concludes to record the settlement of the dispute regarding the amount of SAR 1,368,807.82.

Regarding the remaining difference of SAR 57,920.99, with Tax of SAR 8,688.14, and since the Appellee adhered to the validity of its procedure due to the Appellant's failure to submit the justifying documents and insisted on its rejection, and because the dispute is documentary, it was proven that the Authority requested documents from the Taxpayer pursuant to information request notices. Upon reviewing the email correspondence between the Taxpayer and the Authority attached by the Appellant, it was revealed that he sent three files to (...) titled "Audit Files for the Fourth Quarter of 2020 – (...) Establishment" on 26/06/2023, and on 30/09/2023, he sent a file of sales and purchase invoice samples to an email address (...) which does not receive messages. Consequently, the Circuit concludes to reject the appeal related to the amount of SAR 57,920.99 due to the insufficiency of the submitted documents.

Regarding the Appellant's objection to the Resolution Circuit's decision rejecting his lawsuit concerning his objection to the Appellee's decision to exclude purchases subject to the standard rate (15%) in the amount of SAR 3,087,057.23, with Tax of SAR 463,058.5 for the fourth quarter of 2020: Paragraph (1) of Article (48) of the Unified Value Added Tax Agreement stipulates: "For the purpose of exercising the right to deduct, the Taxable Person shall possess the following documents: a- The Tax Invoice received in application of the provisions of this Agreement. b- The customs documents proving that he is the importer of the goods in accordance with the provisions of the Unified Customs Law." Paragraph (7/c) of Article (49) of the Implementing Regulations of the Value Added Tax Law stipulates: "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 was determined by Article (48) of the Agreement. In cases where the Taxable Person does not possess the documents specified in the Agreement, he may claim the deduction when he is able to submit the following alternative evidence to the Authority: c- Other commercial documents permitted at the Authority's discretion,



proving that the Taxable Person has been correctly charged and has paid the relevant VALUE ADDED TAX." Upon review of the case file, the Circuit determined that the Appellee reassessed the tax period in dispute due to the failure to submit the required documents, as the Appellant declared purchases valued at SAR 3,172,176, and the Appellee excluded the amount of SAR 3,087,057.23. The Authority acknowledged the acceptance of a portion of the amount according to its response memorandum (2) dated 22/01/2025, clarifying that regarding the item of domestic purchases subject to Tax at the standard rate, from which it excluded the amount of SAR 3,087,057.23, it accepted purchases amounting to SAR 195,059.87 because the Appellant submitted evidence thereof, and a request for proof of settlement of the dispute regarding this portion was made. Accordingly, the Circuit concludes to record the settlement of the dispute regarding the amount of SAR 195,059.87.

Regarding the remaining purchases of SAR 2,891,997.36, with Tax of SAR 433,799.60, and whereas the Authority stated that the Appellant did not submit documents proving their validity and adhered to the validity of its procedure for the amount of SAR 2,891,997.36 and requested the rejection of his appeal, and whereas the Resolution Circuit's decision concluded to reject the item due to the failure to provide a statement of purchases and the Tax Invoices pertaining to his purchases; as the Appellant submitted a statement of purchases during the disputed tax period and the purchase invoices during the period, which match what he declared and through which he proved that he incurred the Tax, the Circuit concludes to accept the appeal related to the amount of SAR 2,891,997.36.

Regarding the Appellant's objection to the Resolution Circuit's decision dismissing his lawsuit concerning his objection to the imposition of a penalty for error in the tax return: Paragraph (1) of Article (42) of the Value Added Tax Law stipulates: "Any person who submits an incorrect Tax Return to the Authority, or amends a Tax Return after its submission, or submits a document to the Authority pertaining to the Due tax, resulting in an error in calculating the Tax amount less than that due, shall be punished with a penalty equal to (50%) of the value of the difference between the calculated Tax and the due Tax." As the Circuit's conclusions in the aforementioned items resulted in recording the settlement of the dispute in a portion of the item of domestic sales subject to Tax at the standard rate and rejecting the appeal regarding the other portion, and recording the settlement of the dispute in a portion of the item of domestic purchases subject to Tax at the standard rate and Acceptance of the appeal regarding the other portion, and since the penalty for error in the tax return resulted therefrom, the consequences thereof shall follow the ruling of the principal. Accordingly, the Circuit concludes to partially accept the appeal regarding the penalty for error in the tax return and to amend the Circuit's decision accordingly.

Regarding the Appellant's objection to the Resolution Circuit's decision rejecting his lawsuit concerning his objection to the imposition of a late payment penalty in accordance with what this decision ruled after it became a final decision: Article (43) of the Value Added Tax Law stipulates: "Any person who does not pay



the Due tax within the period specified in the Regulations shall be punished with a penalty equal to (5%) of the value of the unpaid Tax for each month or part thereof for which the Tax has not been paid." As the Circuit's conclusions in the items resulted in recording the settlement of the dispute in a portion of the item of domestic sales subject to Tax at the standard rate and rejecting the appeal regarding the other portion, and recording the settlement of the dispute in a portion of the item of domestic purchases subject to Tax at the standard rate and Acceptance of the appeal regarding the other portion, and since the penalty for late payment resulted therefrom, the consequences thereof shall follow the ruling of the principal. Accordingly, the Circuit concludes to partially accept the appeal regarding the late payment penalty and to amend the Circuit's decision accordingly.

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

Decision

First: Acceptance of the appeal submitted by (...) (National ID No. (...)) procedurally.

Second: On the merits:

1. Recording the settlement of the dispute regarding the sales item in the amount of SAR 1,368,807.82, and rejecting the appeal related to the amount of SAR 57,920.99.
2. Recording the settlement of the dispute regarding the purchase item in the amount of SAR 195,059.87, and Acceptance of the appeal related to the amount of SAR 2,891,997.36.
3. Partial Acceptance of the appeal regarding the penalty for error in the tax return and amendment of the Circuit's decision in accordance with the above.
4. Partial Acceptance of the appeal regarding the penalty for late payment and amendment of the Circuit's decision in accordance with the above.



Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes

Decision No VA-2025-132

Case No. V-2024-246133

Keywords:

Value Added Tax – Accrued Revenue – Continuous Supplies – Double Taxation – Acceptance of the Appeal

Summary:

The Taxpayer's objection to the Resolution Circuit's decision which ruled to reject his lawsuit regarding the final reassessment of the item of domestic sales subject to the standard rate for the period of the fourth quarter of 2018 AD, and the resulting penalty for error in the return. Whereas he argued that the amounts subject of the assessment represent estimated accrued revenues recognized for accounting purposes in the financial statements, and their final value was not realized until the year 2019 AD, and they were disclosed and their tax was paid in the returns of that year. And whereas the Circuit deemed that recognizing the revenue for accounting purposes is not sufficient on its own to prove the occurrence of the tax due event, and that the differences between the financial statements and the tax returns serve as an indicator for audit, not conclusive proof of the existence of undeclared taxable revenue. It was also proven that the Taxpayer submitted documents supporting the realization of the revenue in the year 2019 AD; the implication of this is: acceptance of the appeal regarding the sales item, and annulling the Authority's decision and the ensuing penalty for error in the return.

Document



- Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Paragraph (1) of Article (42) of the Value Added Tax Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH.
- Article (14) of the Implementing Regulations of the Value Added Tax Law issued by the Board of Directors of the Zakat, Tax and Customs Authority Resolution No. (3839) dated 14/12/1438 AH.
- Paragraph (2) of Article (20) of the Implementing Regulations of the Value Added Tax Law issued by the Board of Directors of the Zakat, Tax and Customs Authority Resolution No. (3839) dated 14/12/1438 AH.



Parties Defenses:

Defenses of the Appellant (Taxpayer)

The Taxpayer argued the invalidity of the reassessment of the domestic sales subject to the standard rate for the period of the fourth quarter of 2018 AD, because the disputed amounts represent estimated accrued revenues recognized in the financial statements for accounting purposes, and their final value was not realized until the year 2019 AD upon invoicing or payment. He also argued that he disclosed those revenues and paid their tax in the returns of the year 2019 AD, and that reassessing them in the year 2018 AD leads to double taxation, and he requested the cancellation of the assessment and the subordinate penalty for error in the return.

The Committee's response to the defenses:

It became evident to the Appeal Circuit the Appellant's objection to the Resolution Circuit's decision which ruled to dismiss his lawsuit, regarding his objection to the decision of the Appellee (the Authority) of the final reassessment of the item of domestic sales at the standard rate (5%) for the tax period of the fourth quarter of the year 2018 AD. Whereas the Appellant argued that they are accrued revenues for which disclosure and payment of tax were made in the returns of the year 2019 AD, as the tax of the accrued revenues is remitted upon the realization of their final value upon invoicing or payment in accordance with the text of Article (20), Paragraph (2) of the Implementing Regulations. However, the Appellee (the Authority) reassessed the disputed tax period and imposed the tax again. And whereas Article (14) of the Implementing Regulations of the Value Added Tax Law stipulated: "Without prejudice to Article Two of the Law and for the purposes of applying the Agreement and the Law in the Kingdom, the tax shall be imposed on all supplies of goods and services made by any taxable person in the Kingdom, or on those received by any taxable person in the Kingdom in cases where the reverse charge mechanism is applied, and on the import of goods into the Kingdom." Paragraph (2) of Article (20) of the Implementing Regulations of the Value Added Tax Law also stipulated: "In all cases where supplies of goods or services are made on a continuous basis, this is considered a separate supply and the tax is due on it on the invoice issuance date or the payment date, whichever is earlier, to the extent of the invoice or payment value." Based on the foregoing, it becomes clear that the dispute lies in the Appellee's (the Authority's) reassessment and the addition of sales valued at (5,880,261) Riyals to the item of sales subject to the 5% rate. And whereas the Resolution Circuit's decision concluded to reject the plaintiff's lawsuit and uphold the Authority's procedure due to his failure to submit the corroborating documents, and whereas the Appellant points out that he had already disclosed and paid the tax for them in the returns of the year 2019 due to the nature of those revenues, which causes double taxation over two consecutive years. While it becomes clear that the Authority's procedure of subjecting the disputed



sales was a result of the existence of differences between the revenues in the financial statements for the year 2018 and all the tax returns submitted for the year 2018.

And whereas, by contemplating the facts of the lawsuit, it becomes clear that recognizing the revenue for accounting purposes in the financial statements is not considered sufficient evidence of the occurrence of one of the tax due determinants in general, due to the difference in the bases of recognition between them. Consequently, the existence of differences between the financial statements and the tax returns is inevitable due to the difference between the bases of recognition for accounting purposes and those for tax purposes, a matter which can be taken as an indicator to expand the audit; however, they are not in themselves conclusive proof of the existence of undeclared taxable revenue. And whereas, by reviewing what the Appellant submitted, it becomes clear that the nature of his activity is represented in providing travel and tourism services, and whereas the Appellant submitted initially before the Resolution Circuit and through his appeal brief a justification for the disputed revenue differences, clarifying that they consist of estimated revenues for commissions and discounts against supplies from suppliers, the final value of which was determined by the suppliers in the year 2019 through invoices and notifications issued by the suppliers, which led to him disclosing them in the returns of the year 2019. Accompanying this with what proves the validity of his defenses by submitting the transfers and credit note settlements issued in the year 2019, which prove the accrual of the revenue during the year 2019 in accordance with the text of Paragraph (2) of Article (20) of the Regulations. In addition to his submission of a statement issued by one of the suppliers (...) which included that the incentives and rewards cannot have their final value determined until after the end of the 2018 financial year, and they are paid and determined in 2019. This corroborates what the Appellant pointed out that the revenues recorded in the financial statements are estimated revenues, and their final value is determined after the end of the financial year through invoices and notifications issued by the suppliers which took place in 2019, which the Appellant consequently disclosed in the returns of the year 2019. Furthermore, the Appellee (the Authority) did not challenge the validity of the fact that the Appellant had declared the disputed revenues in the year 2019. And whereas the Authority, in accordance with the powers vested in it pursuant to the Implementing Regulations of the Value Added Tax Law, is the entity responsible for auditing the Taxpayer's returns and verifying the payment of the tax for the disputed revenues in the other tax returns. Consequently, and since the Appellant has exercised the necessary due diligence by submitting the documents that prove the validity of his defenses, and based on the foregoing, the Circuit concluded to decide the acceptance of the appeal regarding this item.

As regarding the Appellant's objection to the penalty for error in the return and his claim to cancel that penalty. And whereas Paragraph (1) of Article (42) of the Value Added Tax Law stipulated: "Anyone who submits a false tax return to the Authority, or amends a tax return after its submission, or submits a document to the Authority pertaining to the tax due from him, resulting in an error in calculating the tax amount to be less than what is due, shall be punished with a penalty equivalent to (50%) of the value of the difference between the



calculated tax and the due tax." By reviewing the entire case file and the defenses it contained; it became evident that the decision issued by the Resolution Committee ruled to impose the penalty for error in the return after the Appellee (the Authority) amended the Appellant's return. And whereas the Appeal Circuit concluded in the above item to accept the appeal regarding the item of sales subject to the standard rate (5%), and since the penalty for error in the return resulted from that, then what is connected to it takes its ruling. Accordingly, the Circuit concluded to decide the acceptance of the appeal regarding this item.

Decision

First: Acceptance of the appeal procedurally.

Second: On the merits:

1. Acceptance of the appeal regarding the amount of SAR 5,880,261 related to the sales item subject to the standard rate (5%), annulment of the Resolution Circuit's decision, and Annulment of the decision of the Zakat, Tax and Customs Authority.
2. Acceptance of the appeal regarding the penalty for error in the tax return, annulment of the Resolution Circuit's decision, and Annulment of the decision of the Zakat, Tax and Customs Authority.



Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes

Decision No VA-2025-246301

Case No. V-2024-246301

Keywords:

Value Added Tax – Reassessment – Death of Taxpayer – Consequential Penalties – Rejection of the Appeal

Summary:

The objection of the Taxpayer's heirs to the Resolution Circuit's decision which ruled to reject their lawsuit regarding the reassessment of the third quarter of 2018 and the resulting two penalties for late payment and error in the return. Whereas they argued that the capacity of the Taxpayer belonged to the deceased in his capacity as the owner of the establishment, and that his death terminates the financial obligations, and that the heirs do not bear the responsibility. They also argued the existence of an overlap in the financial liabilities due to the audit encompassing a period subsequent to the death pertaining to the new owner, and that the disputed revenues relate to a manpower supply contract, not services. And whereas the Circuit deemed that the resolution decision came in accordance with the provisions of the Law, and its grounds are sufficient to uphold its ruling, and nothing emerged from the defenses that would impact its result; the implication of this is: acceptance of the appeal procedurally, rejecting it on the merits, and affirming the Resolution Circuit's decision.

Document

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

Parties Defenses:

Defenses of the Appellant (Taxpayer)

The Taxpayer's heirs argued that the tax obligation subject of the dispute relates to the deceased, the owner of the establishment and the Tax Identification Number, and that his death terminates the financial obligations. They also argued that the heirs do not bear the responsibility, and the existence of an overlap in the financial liabilities due to the audit encompassing a period subsequent to the death pertaining to the new



owner. And they adhered that the disputed revenues resulted from a manpower supply contract, not from the provision of services.

The Committee's response to the defenses:



It became evident to the Appeal Circuit that the decision issued by the Resolution Circuit ruled to dismiss the Appellants' lawsuit regarding their objection to the reassessment of the tax period relating to the third quarter of 2018 and the penalties resulting therefrom. And whereas the Appellants object to the Resolution Circuit's decision; this is because (...) the owner of the TIN (...) is the one to whom the capacity of the Taxpayer applies before the Authority, as he is the sole owner of the establishment as established by law, and by his death, the financial obligations terminate. Furthermore, none among the heirs bears responsibility due to them being women and minor children. In addition to the overlap in the financial liabilities resulting from the audit, as it encompassed a period subsequent to the death of (...) pertaining to the new owner. Also, the revenues of (...) Contracting Establishment belonging to the deceased / (...) include salaries and fees resulting from its contract with (...) Company, as the company stated its commitment to pay the salaries and fees to the establishment's account, whereby it becomes clear that the contract is for manpower supply, not services. And since it is established that the appealed decision regarding the dispute under consideration came in accordance with the provisions of the Law, and with the sound grounds upon which it was based and which are sufficient to uphold its ruling. As the Circuit that issued it undertook the scrutiny of the core of the dispute therein and concluded in its regard to the result it reached in its operative part. And whereas the Appeal Circuit did not notice anything regarding it necessitating correction or commentary in light of the submitted defenses raised before this Circuit, a matter with which it concludes to declare their lack of impact on the decision's result. Based on the foregoing, the Circuit concluded to decide the rejection of the appeal and the affirming of the Resolution Circuit's decision in what it concluded, supported by its grounds.

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

Decision

First: Acceptance of the appeal submitted by the heirs of (...) (National ID No. [...]) procedurally.

Second: Rejection of the appeal submitted by the heirs of (...) (National ID No. [...]), on the merits.



Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes

Decision No VA-2025-264767

Case No. VT-2025-264767

Keywords:

Value Added Tax – Reassessment – Calculation Basis – Tax Assessment Notice – Acceptance of the Appeal

Summary:

The Taxpayer's objection to the Resolution Circuit's decision which ruled not to accept the lawsuit procedurally due to the lapse of the statutory period regarding the reassessment of the third quarter of 2020 and the penalties resulting therefrom. Whereas he argued submitting objections within the statutory period, and that the Authority did not clarify to him the basis for calculating the assessment, and that it later became evident that the assessment relates to another taxpayer. He also argued the Authority's failure to submit what proves the existence of sales or the practice of an economic activity during the disputed period. And whereas it was proven to the Circuit that the Authority's previous email included general phrases about the assessment bases without clarifying how the assessment periods were determined and the value was calculated, and that the Authority's decision did not include the net tax due, the payment due date, and the basis for calculating the assessment; the implication of this is: acceptance of the appeal procedurally and on the merits, annulling the Resolution Circuit's decision, and annulling the Authority's decision.

Document

- Paragraph (1) of Article (39) of the Value Added Tax Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH.
- Article (14) and Article (64) of the Implementing Regulations of the Value Added Tax Law issued by the Board of Directors of the Zakat, Tax and Customs Authority Resolution No. (3839) dated 14/12/1438 AH.
- Paragraph (3) of Article (27) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.



Parties Defenses:

Defenses of the Appellant (Taxpayer)

The Taxpayer argued the invalidity of the ruling of the lapse of the statutory period, due to his filing of objections with the Authority within the statutory period, and that the previous lawsuit was accepted procedurally, then the Circuit requested confining each period to a separate lawsuit. He also argued the invalidity of the assessment procedures due to not being notified of the basis of calculation, and because it later became evident that the assessment relates to another taxpayer. And he adhered to the Authority's failure to submit evidence proving the existence of sales or the practice of an economic activity during the disputed period.

The Committee's response to the defenses:

It became evident to the Appeal Circuit that the decision issued by the Resolution Circuit ruled not to accept the lawsuit procedurally due to the lapse of the statutory period regarding the objection to the reassessment decision for the third quarter of 2020 AD and the penalties resulting therefrom. And whereas the Appellant objects to the Resolution Circuit's decision because he filed numerous objections with the Authority within the statutory period. The Appellant pointed out the invalidity of relying on the Rules of Operation of the Zakat, Tax and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH because their enforcement began from the date of issuance of the Royal Order, confirming that he objected to the General Secretariat of the Zakat, Tax and Customs Committees immediately upon the receipt of the rejection of the objection issued by the Authority on 19/11/2023 AD, and the Resolution Circuit's acceptance of the objection in lawsuit No. (V-227871-2023), except that it requested confining each period to a separate lawsuit, and that this lawsuit was accepted procedurally and is still pending before the Appeal Circuit. The Appellant added that the Authority's violation of the statutory procedures for assessment, represented in not notifying the Taxpayer of the basis for calculating the assessment at the time—which later turned out to pertain to another taxpayer—renders all that the Authority claimed based on a void foundation, which caused the entitlement of the amount of 18 million Riyals. And the Appellant emphasized the Authority's failure to submit evidence proving the existence of sales by the establishment, meaning it did not practice an economic activity during the disputed period.

Upon the Appeal Circuit's review of the facts and documents of the lawsuit; and whereas it is established that the Authority's decision was issued on 17/02/2022 AD, and the Appellant pointed out that the decision did not include the basis for calculating the assessment, and the Authority argued that it had notified the Taxpayer of the basis of calculation pursuant to a previous email sent to him on (15/08/2021 AD). By contemplating



what the email contained, in which the Authority stated that the assessment was made based on the following grounds:

- 1- Subjecting the monitored revenue difference after calculation based on Article (14) of the Implementing Regulations of the Value Added Tax.
- 2- Imposing the evasion penalty for submitting returns that do not reflect the reality of the activity based on Article (39), Paragraph (1) of the Value Added Tax Law.
- 3- Reassessing and calculating the submitted Zakat returns.

Upon reviewing what is mentioned above, it did not become clear how the Authority determined each of the assessment periods and how the value was calculated depending on the given data, as the response contained in the aforementioned email was general. Thus, it appears that the decision issued by the Authority did not contain the net tax due, the payment due date, and the basis for calculating the assessment in accordance with what is stipulated in Paragraph (2) of Article (64) of the Implementing Regulations of the Value Added Tax, which included: "2- The assessment must indicate the net tax due, the payment due date, and the basis for calculating the assessment..." And regarding the Authority's request represented in remanding the lawsuit in the event the Appeal Circuit deems to accept the lawsuit, to preserve its right to litigation at two levels, it is answered by what is included in Article (27/3) of the Rules of Operation of the Zakat, Tax and Customs Committees: "If the Appeal Circuit decides to annul the Resolution Circuit's decision issued for lack of jurisdiction, or for accepting a subsidiary plea that resulted in preventing the proceeding of the lawsuit, or for the inadmissibility of considering it due to prior adjudication, or for not hearing it due to the lapse of the period, or for not accepting it procedurally... unless the circumstances of the lawsuit are ready for adjudication, or the circumstances of the lawsuit necessitate adjudication expeditiously, or its subject matter is one upon which the decisions or principles of the Appeal Circuits have settled; in which case it is permissible to adjudicate it without remanding." A matter with which the Appeal Circuit concludes to the operative part stated below.

Decision

First: Acceptance of the appeal procedurally.

Second: Acceptance of the appeal on the merits, annulment of the appealed Resolution Circuit's decision, and Annulment of the decision of the Zakat, Tax and Customs Authority.



Value Added Tax – Taxable Supplies



Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes

Decision No VA-2025-238159

Case No. V-2024-238159

Keywords:

Value Added Tax – Shipping Agencies – Due Date – Revenue Differences – Acceptance of the Appeal

Summary:

The Taxpayer's objection to the Resolution Circuit's decision which ruled a lack of subject-matter jurisdiction to consider the lawsuit relating to the final assessment notice for the fourth quarter of the year 2018 and the penalties resulting therefrom. Whereas he argued that the nature of his activity in maritime agencies and the international transport of goods and passengers to and from the Kingdom entails subjecting some revenues to the standard rate and some to the zero rate. He also submitted a statement of the differences, Excel files, and correspondence with the Authority. And whereas the Circuit deemed that the Authority subjected all the differences of the year 2018 without taking into consideration the tax due date, the nature of the supplies, and the proper tax treatment. It also did not submit what proves the validity of its procedure, nor did it challenge the Taxpayer's documents; the implication of this is: acceptance of the appeal procedurally, annulling the Resolution Circuit's decision, and annulling the Authority's decision regarding the sales item and the subordinate penalties.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Article (23) of the Unified Value Added Tax Agreement for the Cooperation Council for the Arab States of the Gulf issued by Royal Decree No. (M/51) dated 03/05/1438 AH.

Parties Defenses:

Defenses of the Appellant (Taxpayer)

The Taxpayer argued the invalidity of the tax assessment for the fourth quarter of 2018 on the grounds that his activity relates to shipping agencies and the international transport of goods and passengers from and to the Kingdom, thereby rendering his revenues divided between those subject to the Standard Rate and those



subject to the Zero Rate. He also argued that he submitted the statement of differences, Excel sheets, and supporting correspondence for his position.

The Committee's response to the defenses:



It became evident to the Appeal Circuit that the decision issued by the Resolution Circuit ruled regarding the Appellant's objection to the final assessment notice for the tax period of the fourth quarter of the year 2018 AD, and the penalties resulting from the reassessment. And whereas the Appellant objects to the Resolution Circuit's decision because the nature of its activity is practicing the business of maritime agencies regarding the international transport of goods and passengers to and from the Kingdom; consequently, the nature of the revenues is subject to tax at the standard and zero rates. It also submitted a statement of the differences, Excel files, and correspondence with the Authority.

Upon the Appeal Circuit's review of the lawsuit documents and contemplation of its facts; and whereas it is established that the Authority subjected all the differences of the year 2018 AD in violation of the text of Article (23) of the Unified Value Added Tax Agreement for the Cooperation Council for the Arab States of the Gulf, which addresses the tax due date. And whereas the provisions of Article (23) of the aforementioned Agreement were not taken into consideration in applying the tax due date upon payment, the date of completion of the supply, or the invoice issuance date, whichever is earlier, as well as the nature of the supplies and the application of the proper tax treatment in a manner that reflects the reality of the return for the tax period. Furthermore, the Authority did not submit what proves the validity of its procedure, and sufficed with arguing that the Appellant did not submit a justification regarding the differences. And whereas the Appellant submitted a number of documents and Excel files in the case file, and the Authority did not express its viewpoint or challenge the validity of the documents submitted in the case file, a matter with which the Appeal Circuit concludes to annul the appealed Circuit's decision, and annul the Authority's decision regarding the item of domestic sales subject to tax at the standard rate.

As regarding the penalty for error in the return and the penalty for late payment, and the Appellant's claim to cancel those penalties which resulted from the final assessment notice for the disputed tax period. And whereas the above item has led to the acceptance of the appeal, and since the penalties resulted from that, then what is connected to it takes its ruling, a matter with which the Appeal Circuit concludes to accept the appeal regarding the penalties subject of the appeal.

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



Decision

First: Acceptance of the appeal submitted by/ Company (...), Commercial Registration No. (...), procedurally.

Second: Annulment of the decision of the Third Circuit for the Resolution of Value Added Tax Violations and Disputes in Riyadh City No. (VTR-2024-70573).

Third: On the merits:

1. Annulment of the Authority's decision regarding the item of domestic sales subject to Tax at the Standard Rate.
2. Annulment of the Authority's decision regarding the item of the penalty for error in the tax return.
3. Annulment of the Authority's decision regarding the item of the late payment penalty.



Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes

Decision No VA-2025-241300

Case No. V-2024-241300

Keywords:

Value Added Tax – Economic Activity – Pilgrim Services – Taxable Sales – Acceptance of the Appeal

Summary:

The objection of the Zakat, Tax and Customs Authority to the Resolution Circuit's decision which ruled to annul its decision regarding the item of sales subject to the standard rate for the third quarter of 2018 and the penalties resulting therefrom. Whereas the Authority argued that the commercial register proves the company's practice of an activity subject to Value Added Tax, and that it is a limited liability company practicing the activity of providing services to domestic pilgrims and is governed by a profit and loss policy. And whereas it was proven to the Circuit that the company is licensed to provide services to domestic pilgrims, and that the booking operations in the electronic track generate financial entitlements that include Value Added Tax, and that the Authority's procedure was based on the existence of an event of supplying services; the implication of this is: acceptance of the appeal procedurally and on the merits, annulling the Resolution Circuit's decision, and affirming the Authority's decision regarding the principal tax and the subordinate penalties.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Value Added Tax Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH.
- Companies Law issued by Royal Decree No. (M/3) dated 28/01/1437 AH.

Parties Defenses:

Defenses of the Appellant (Taxpayer)

The Authority argued that the Commercial Registration proves the company practices an activity subject to Value Added Tax and that it is a limited liability company, not an establishment or charity. It further argued that the activity of providing domestic pilgrim services is an economic commercial activity whose supplies are subject to Value Added Tax, and the financial report proves the revenues are tax-inclusive.



The Committee's response to the defenses:



It became evident to the Appeal Circuit that the decision issued by the Resolution Circuit annulled the Appellant's decision regarding the item of sales subject to Tax at the Standard Rate for the tax period of the third quarter of 2018 and the consequential penalties. The Appellant objects to the Resolution Circuit's decision on the grounds that the Commercial Registration proves the Appellee practices an activity subject to Value Added Tax, and that it is a limited liability company, not an establishment or charity. Furthermore, its practiced activity (providing domestic pilgrim services) explicitly applies a profit and loss policy; thus, it practices a commercial business deemed an economic activity. This is based on the fact that the Appellee is an entity established under the Companies Law and has a Commercial Registration, thereby qualifying as a merchant under the Law whose supplies are subject to the Value Added Tax Law.

Upon the Appeal circuit's review of the lawsuit documents, under Commercial Registration No. (...) issued by the Ministry of Commerce and Investment on 14/11/1438 AH, the company's activity consists of providing domestic pilgrim services, and it is licensed by the Ministry of Hajj and Umrah under license No. (...). The company (Appellee) registers eligible pilgrims on the Ministry of Hajj and Umrah's portal, and Company (...) in its capacity as the fund for the (...) Charitable Campaign (on behalf of the ... Endowments and ... Endowments) pays the fees imposed by the Ministry of Hajj. Subsequently, the Ministry of Hajj deducts a specific amount against the expenses incurred by the Ministry from those fees and returns the remaining amount to the Appellee, which in turn uses it for pilgrim expenses. The Appellant's procedure was based on the occurrence of a supply of services. Whereas the Authority submitted the financial report of the company (Company ...) under license No. (...), which details the financial entitlements for the booking operations on the electronic track for domestic pilgrims for the Hajj season of 1440 AH, indicating that the revenues are inclusive of Value Added Tax. Accordingly, the Appeal Circuit concludes to accept the filed appeal.

Regarding the error in return penalty and the late payment penalty, and the Appellant's claim to annul the decision issued to cancel those penalties resulting from the tax assessment for the disputed tax period, since the above item led to the acceptance of the appeal, and given that the penalties resulted therefrom, the accessory follows the principal. Accordingly, the Appeal Circuit concludes to accept the appeal regarding the penalties subject to the appeal.

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



Decision

First: Acceptance of the appeal submitted by/ the Zakat, Tax and Customs Authority, procedurally.

Second: On the merits:

1. Acceptance of the appeal regarding the item of domestic sales subject to Tax at the Standard Rate, annulment of the Resolution Circuit's decision, and affirmation of the Appellant's decision.
2. Acceptance of the appeal regarding the item of the penalty for error in the tax return, annulment of the Resolution Circuit's decision, and affirmation of the Appellant's decision.
3. Acceptance of the appeal regarding the item of the late payment penalty, annulment of the Resolution Circuit's decision, and affirmation of the Appellant's decision.



Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes

Decision No VA-2025-242129

Case No. V-2024-242129

Keywords:

Value Added Tax – Continuous Supplies – Unbilled Revenues – Due Date – Acceptance of the Appeal

Summary:

The Taxpayer's objection to the Resolution Circuit's decision which ruled to reject his lawsuit regarding the reassessment of the month of December 2021 and the penalties resulting therefrom. Whereas he argued that the unbilled revenues are not continuous supplies, but rather accounting entries linked to matching revenues with expenses, and that the supply of security devices and systems, and their installation and testing, are not carried out on a periodic or recurring basis. And whereas the Circuit deemed that the Taxpayer's contracts and invoices prove the supply of equipment followed by the provision of subsequent installation, operation, and testing services, and that these supplies do not represent a continuous supply in the statutory sense, but rather are subject to the date of supply, the invoice, or the receipt of consideration, whichever is earlier; the implication of this is: acceptance of the appeal regarding the sales item, and annulling the Authority's decision and the ensuing two penalties for error in the return and late payment.

Document



- Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Paragraph (1) of Article (42) of the Value Added Tax Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH.
- Article (43) of the Value Added Tax Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH.
- Paragraphs (1) and (3) of Article (23) of the Unified Value Added Tax Agreement for the Cooperation Council for the Arab States of the Gulf issued by Royal Decree No. (M/51) dated 03/05/1438 AH.
- The Implementing Regulations of the Value Added Tax Law issued by the Board of Directors of the Zakat, Tax and Customs Authority Resolution No. (3839) dated 14/12/1438 AH.



Parties Defenses:

Defenses of the Appellant (Taxpayer)

The Taxpayer argued that the unbilled revenues subject to assessment are not continuous supplies and the provisions of continuous supplies do not apply to them. Instead, they are accounting recording operations to recognize unbilled revenues until the supply is completed. It further argued that its activity is based on supplying security systems and devices, then installing, operating, and testing them, and the customer does not benefit from them in periodic or repeated stages, which negates the characteristic of continuity.

The Committee's response to the defenses:

It became evident to the Appeal Circuit that the decision issued by the Resolution Circuit rejected the Appellant's lawsuit regarding its objection to the reassessment decision for the tax period of December 2021 and the consequential penalties. The Appellant objects to the Resolution Circuit's decision on the basis that unbilled revenues are not continuous supplies and the provisions of Article (20) of the Regulations cannot be applied to them. This is particularly so because the operations that the Appellee considered as continuous supplies are fundamentally not actual supplies performed by the Appellant, but merely accounting recording entries recorded for the purposes of compliance with accounting principles and standards, which require entities to match revenues with expenses. Furthermore, the Appellant's supplies do not occur in regular and periodic stages and timeframes, nor are they repeated and renewed, which negates the continuity characteristic of those supplies. Accordingly, it is clear to the Circuit that the Appellant, as per its statement of claim, demands the cancellation of the Appellee's decision imposing the tax difference of (163,372.96) Riyals, the error in return penalty of (40,843.24) Riyals, and the late payment penalty of (163,372.98) Riyals, totaling (367,589.18) Riyals.

Regarding the appeal on the item (Domestic sales subject to Tax at the Standard Rate of 15%): Based on Paragraph (1) of Article (23) of the Unified Value Added Tax Agreement for the Cooperation Council for the Arab States of the Gulf which states: "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 and to the extent of the received amount, whichever is earlier." And based on Paragraph (3) of Article (23) of the same Agreement which states: "As an exception to the provisions of paragraphs 1 and 2 of this Article, Tax becomes due in respect of continuous supplies which lead to the successive issuance of invoices or successive payment of Consideration, on the payment date specified in the invoice or the date of actual payment, whichever is earlier, and at least once in every twelve (12) consecutive months." And based on Paragraph (1) of Article (20) of the Implementing Regulations of the Value Added Tax Law before amendment which states: "In cases where Services are supplied on a continuous basis and the contract or agreement concerning the supply



provides for Consideration payable in installments on specified dates which lead to the successive issuance of invoices, the date of supply is triggered and Tax is due on the due date for payment of the installment, the date of actual payment, or the date of issuance of the invoice, whichever is earlier, and at least once in every twelve (12) consecutive months." And based on Paragraph (2) of Article (20) of the Implementing Regulations of the Value Added Tax Law before amendment which states: "In all other cases where supplies of Goods or Services are made on a continuous basis, this is considered a separate supply on the date of issuance of the invoice or the date of payment, whichever is earlier, and to the extent of the invoice or payment value." And based on Paragraph (3) of Article (20) of the same Regulations which states: "If no payment is received or no invoice is issued for the continuous supplies of Goods or Services made by the Taxable Person, the supply is considered to have occurred on the date falling twelve months after the date falling twelve months after the later of either of the following dates: a) the date of commencement of the supply of Goods or Services; b) the previous date on which a supply occurred pursuant to the issuance of an invoice or a payment."

Since the nature of the Appellant's activity is based on supplying goods and services to customers, these supplies are based on three distinct and separate steps in terms of supply and performance. The first step is the supply of goods, the second step is the installation of the supplied goods for the customer, and the third step is conducting tests, inspections, and evaluations of the installations. It is evident from the statement of appeal that the Appellant takes the following accounting and tax procedures:

1. Upon concluding a supply agreement for goods and services with customers and the due date of the advance payment under the agreement or contract, the value of the advance payment inclusive of Value Added Tax is recognized, recorded, and disclosed within the returns.
2. Upon the total or partial supply and installation of goods, and the customer's receipt of the goods and approval of the installations or a part thereof, an initial invoice is issued for the supplies of goods and services to the customer for the value of the actual supplies provided. However, for the customer to bear the full value of the supplies of goods and services, and for Value Added Tax purposes, an invoice is issued for the full value of the supplies minus the value of the unsupplied goods and services, so the invoice reflects the net value of the goods and services supplied to the customer and placed under their control. Accordingly, the accounting treatment for the invoice is to record the value of the unsupplied goods and services in an intermediary account named "Unbilled Revenues" until they are supplied, while tax-wise, the actual supplies are recognized under the invoice issued to the customers within the Value Added Tax return.
3. Upon the supply of services or provision of goods that were not previously supplied under the initial invoice, the Appellant issues an invoice to the customers including those supplies as they have become actual and due supplies. The accounting treatment is to deduct them from the intermediary account "Unbilled Revenues" and they are recognized tax-wise within the returns.



After reviewing the appealed decision and the documents submitted by both parties in the case file, it appears that the dispute lies in whether the supplies performed by the Appellant are considered continuous supplies or not. The Appellant supplies the equipment first and issues the initial invoice upon supplying the equipment, and a subsequent invoice upon the completion of installation, inspection, and operation services, whereas the Authority considers the operation a single supply, thus making it a continuous supply. Reviewing the meaning of a continuous supply, it is evident that the Appellee (Authority) defined continuous supplies in its specific guideline (regarding the amendment of the standard Value Added Tax rate to 15%) as follows: "Providing goods or services on a continuous basis during a specific period. This may include providing specific goods or services on a specific date, while the customer benefits from those goods or services over several stages and periods. A continuous supply can also be a long-term service performance contract over specific time phases." It is clear from the definition that a continuous supply is one made periodically and regularly, such that the supply is executed repeatedly during a specific timeframe, for example, the supply of water and electricity.

Reviewing the contracts submitted in the case file, it is clear from the contract concluded between Company (...) and the Appellant (Company ...) that it stipulated: "The First Party wishes to assign the works of supply, installation, testing, and operation of data center systems." Reviewing the contract for the project of completing the buildings and facilities works at the Foundation... Agreement Contract (...), the service description is: "Supply, installation, testing, delivery, and operation of an IP-TV-System for the consultant and the owner in accordance with the project plans and specifications, the consulting engineer's remarks, the operator's specifications and systems, and quantities according to the supplier's offer." The contracts did not stipulate that the supply of equipment and services is to be made periodically or repeatedly. The Appellant supplies the equipment and then provides the services, issuing an initial invoice upon supplying the equipment and another invoice upon providing the installation and testing service. This is confirmed by the invoices submitted in the case file, which show that the Appellant supplies the goods to the customer and then supplies the services related to the good (installation, operation, and testing). It deducts the unperformed services from the value of the invoices to be paid after completing the provision of services linked to the supply of goods. This proves that the supplies are not on a continuous basis, and consequently, the provisions of Article (20) of the Implementing Regulations of the Value Added Tax Law do not apply to the disputed supplies. Thus, the tax becomes due in accordance with the provisions of Paragraph (1) of Article (23) of the Unified Value Added Tax Agreement, i.e., on the date of supply of the good or service, the date of issuance of the invoice, or the date of partial or full receipt of consideration to the extent of the received amount, whichever is earlier. Accordingly, the Appeal Circuit concludes to accept the appeal regarding the item of domestic sales subject to Tax at the 15% rate and to annul the Resolution Circuit's decision.

Regarding the appeal on the item (error in return penalty): Based on Paragraph (1) of Article (42) of the Value Added Tax Law which states: "Anyone who submits a false Tax Return to the Authority, amends a Tax Return



after submission, or submits any document to the Authority concerning the Due tax by him resulting in an error in the calculation of the Tax amount less than the due amount, shall be punished by a penalty equivalent to (50%) of the value of the difference between the calculated Tax and the due Tax." Since the Circuit concluded in the first item to accept the appeal regarding the item of domestic sales subject to Tax at the 15% rate and to annul the Resolution Circuit's decision, and given that the error in return penalty resulted therefrom, the accessory follows the principal. Accordingly, the Appeal Circuit concludes to accept the appeal regarding the error in return penalty and to annul the Resolution Circuit's decision.

Regarding the appeal on the item (Late payment penalty): Based on Paragraph (1) of Article (59) of the Implementing Regulations of the Value Added Tax Law which states: "The Taxable Person must pay the Due tax by him for the Tax Period by a maximum of the last day of the month following the end of that Tax Period." And based on Article (43) of the Value Added Tax Law which states: "Anyone who fails to pay the Due tax within the period specified by the Regulations shall be punished by a penalty equivalent to (5%) of the value of the unpaid Tax for each month or part thereof for which the Tax was not paid." Since the Circuit concluded in the first item to accept the appeal regarding the item of domestic sales subject to Tax at the 15% rate and to annul the Resolution Circuit's decision, and given that the late payment penalty resulted therefrom, the accessory follows the principal. Accordingly, the Appeal Circuit concludes to accept the appeal regarding the late payment penalty and to annul the Resolution Circuit's decision.

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

Decision

First: Acceptance of the appeal submitted by/ Company (...) – Commercial Registration No. (...), procedurally.

Second: On the merits:

1. Acceptance of the appeal regarding the item of domestic sales subject to Tax at the 15% rate, annulment of the Resolution Circuit's decision, and annulment of the Authority's decision.
2. Acceptance of the appeal regarding the penalty for error in the tax return, annulment of the Resolution Circuit's decision, and annulment of the Authority's decision.
3. Acceptance of the appeal regarding the late payment penalty, annulment of the Resolution Circuit's decision, and annulment of the Authority's decision.



Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes

Decision No VA-2025-243804

Case No. V-2024-243804

Keywords:

Value Added Tax – Subsequent Collections – Accrual Basis – Bank Deposits – Acceptance of the Appeal

Summary:

The Taxpayer's objection to the Resolution Circuit's decision which ruled to reject his lawsuit regarding the final assessment notice for the item of sales subject to the standard rate for the first quarter of 2021. Whereas he argued that the disputed amounts represent collections pertaining to sales of previous periods that were previously disclosed upon the issuance of the invoices, and their tax was remitted in accordance with the accrual basis. And whereas it was proven to the Circuit from the tax invoices, the customer statements of account, the receipt vouchers, and the sales statements that the invoices subject of the dispute were issued in periods prior to the disputed period, and that the tax was remitted on their issuance date; the implication of this is: acceptance of the appeal regarding the sales item, and annulling the Authority's decision and the ensuing penalty for error in submitting the return.

Document

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

Parties Defenses:

Defenses of the Appellant (Taxpayer)

The Taxpayer argued that the differences in the bank deposits subject of the assessment do not represent new sales for the first quarter of 2021, but rather subsequent collections for invoices issued in previous periods, which were declared and their tax remitted on their issuance date in accordance with the accrual basis.



The Committee's response to the defenses:



It became evident to the Appeal Circuit that the decision issued by the Resolution Circuit ruled to reject the Appellant's lawsuit regarding his objection to the final assessment notice for the item of sales subject to tax at the standard rate for the period of the first quarter of 2021. And whereas the Appellant objects to the Resolution Circuit's decision because the disputed amount represents collections pertaining to sales of previous periods that were previously disclosed in previous returns in accordance with the accrual basis. By the Appeal Circuit's review of the lawsuit documents, it became evident that the subject of the dispute is represented in subjecting the differences in bank deposits based on the analysis of the bank deposits for the disputed period, while the Appellant argues that these bank differences result from tax invoices that were declared and the tax remitted in the period of the invoice issuance, while the amounts relating to them were collected in a subsequent period. Meanwhile, the Appellee (the Authority) deems that the Appellant did not submit the corroborating documents that support the validity of his defenses. By referring back to the documents submitted in the case file, it becomes clear that the Appellant has submitted all the following documents:

- An Excel statement to analyze the disputed revenues.
- Tax invoices relating to the disputed revenues.
- Customer statements of account.
- Receipt vouchers.
- Sales statements (which clarify the date of tax remittance for the aforementioned tax invoices).
- The sales and sales returns statement for the first quarter of 2021.

Based on the foregoing, the tax invoices submitted by the Appellant representing the disputed amount were reviewed, whereby it becomes evident that the invoice issuance date occurred in periods prior to the disputed period, which are (the second, third, and fourth quarters of the year 2020) according to the sales statements submitted by the Appellant relating to these periods. And whereas the validity of what the Appellant argued was proven, that these invoices were disclosed on their issuance date and the tax was remitted in accordance with the accrual basis, a matter with which the Appeal Circuit concludes to accept the submitted appeal.

As regarding the penalty for error in the return, and the Appellant's claim to cancel that penalty which resulted from the final assessment notice for the disputed tax period. And whereas the above item has led to the acceptance of the appeal, and since the penalty resulted from it, then what is connected to it takes its ruling, a matter with which the Appeal Circuit concludes to accept the appeal regarding the penalty subject of the appeal

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



Decision

First: Acceptance of the appeal submitted by/ (...), National ID No. (...), procedurally.

Second: On the merits:

1. Acceptance of the appeal regarding the item of domestic sales subject to Tax at the Standard Rate in the amount of (902,148.77) nine hundred two thousand, one hundred forty-eight Riyals and seventy-seven Halalas, annulment of the Resolution Circuit's decision, and annulment of the Zakat, Tax and Customs Authority's decision.
2. Acceptance of the appeal regarding the item of the "penalty for error in the tax return", annulment of the Resolution Circuit's decision, and annulment of the Zakat, Tax and Customs Authority's decision.



Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes

Decision No VA-2025-246170

Case No. V-2024-246170

Keywords:

Value Added Tax – Manpower Supply – Ticket Cancellation – Penalties – Partial Acceptance

Summary:

A mutual objection between the Authority and (...) to the Resolution Circuit's decision relating to several items for the period of January 2019. Whereas the Authority adhered to subjecting the entire manpower supply contract, not just the commission. And (...) adhered to annulling assessments relating to tickets sold in the year 2017, ticket cancellation penalties, sales of (...), and canceled invoice adjustments. And whereas the Circuit upheld the resolution decision regarding the manpower supply services, scheduled tickets, and sales of (...) due to the soundness of its grounds. And it accepted the appeal of (...) regarding the ticket cancellation penalties for being compensation for damage outside the scope of tax. It also accepted the item of canceled invoice adjustments due to its connection to the reduction of sales; the implication of this is: rejecting the Authority's appeal and partially accepting the appeal of (...).

Document

- Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Article (2) of the Value Added Tax Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH.
- Article (1) of the Unified Value Added Tax Agreement for the Cooperation Council for the Arab States of the Gulf issued by Royal Decree No. (M/51) dated 03/05/1438 AH.
- The Implementing Regulations of the Value Added Tax Law issued by the Board of Directors of the Zakat, Tax and Customs Authority Resolution No. (3839) dated 14/12/1438 AH.

Parties Defenses:

Defenses of the Appellant (the Authority)

The Authority argued that the tax base in the manpower supply services to (...) is not limited to the commission only, and that while salaries are not subject to tax in an employer-employee relationship, the



commission is subject to the Standard Rate, with the necessity of separating commissions from salaries in the invoices.

Defenses of the Appellant (Taxpayer)

(...) argued that tickets sold in 2017 and scheduled in 2018 and 2019 are subject to operational considerations, global systems, and International Air Transport Association standards, and that it is a tax-collecting entity. It also argued that ticket cancellation penalties are not a supply but compensation for damage, and that the sales of the (...) unit are related to international flight operation and maintenance services and are subject to the Zero Rate or fall outside the scope for some fees. It also requested the inclusion of adjustments for cancelled invoices within the sales reduction if reclassified to the Standard Rate.

The Committee's response to the defenses:



Regarding the manpower (employee) supply services to (...) by subjecting only the collected commission value to tax rather than the entire contract: The Appellant (Authority) objects to the Resolution Circuit's decision on the grounds that, originally, salaries received in the context of an employer-employee relationship are not subject to Value Added Tax, whereas the commission obtained by the company is subject to Value Added Tax at its Standard Rate. According to the guidelines, the criterion for establishing an employer-employee relationship between the supplied manpower and the beneficiaries of their services is met when all conditions outlined in Section (2) of the employee benefits guideline are fulfilled, with the necessity of separating commissions from salaries in the issued tax invoices. Since it is established that the appealed decision regarding the dispute aligns with statutory provisions and is based on sound and sufficient reasoning, as the issuing Circuit scrutinized the crux of the dispute and reached its resulting operative part, and given that the Appeal Circuit noticed nothing requiring correction or further commentary in light of the defenses raised before it, it concludes that these defenses do not impact the decision's outcome. Accordingly, the Circuit concludes to reject the appeal and uphold the Resolution Circuit's decision based on its reasoning.

Regarding the appeal submitted by (...) against the Resolution Circuit's decision rejecting its lawsuit concerning tickets sold in 2017 and scheduled in 2018 and 2019: It objects to the Resolution Circuit's decision because ticket sales systems are managed according to global systems like "..." and standards set by the International Air Transport Association (IATA). It requests reconsideration of the issued decision, recognizing it as a tax-collecting entity that does not bear the tax cost, applying Value Added Tax in accordance with the nature of its business and the core principles of the Law, and taking into account the regulatory constraints governing the global aviation industry which cannot be bypassed. Since it is established that the appealed decision aligns with statutory provisions and is based on sound and sufficient reasoning, as the issuing Circuit scrutinized the crux of the dispute and reached its resulting operative part, and given that the Appeal Circuit noticed nothing requiring correction or further commentary in light of the defenses raised before it, it



concludes that these defenses do not impact the decision's outcome. Accordingly, the Circuit concludes to reject the appeal and uphold the Resolution Circuit's decision based on its reasoning.

Regarding the appeal submitted by (...) against the Resolution Circuit's decision rejecting its lawsuit concerning ticket cancellation penalties: It objects to the Resolution Circuit's decision on the grounds that these are not a supply but rather compensation for damage. Upon the Circuit's review of the case file and the defenses and documents it contained, and whereas Article (1) of the Unified Value Added Tax Agreement for the Cooperation Council for the Arab States of the Gulf penalties "Supply" as: *"Any form of supply of Goods or Services for Consideration in accordance with the cases provided for in Chapter Two of this Agreement,"* and based on Article (2) of the Value Added Tax 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 based on Article (14) of the Implementing Regulations of the Value Added Tax 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, Tax is imposed on all supplies of Goods and Services made by any Taxable Person in the Kingdom, or on those received by any Taxable Person in the Kingdom in cases where the reverse charge mechanism applies, and on the import of Goods into the Kingdom."* Given that ticket cancellation penalties are compensation for financial damages resulting from ticket cancellation, representing compensation for the passenger's non-compliance and cancellation of the ticket at short notice (less than 24 hours before flight time) making it difficult to sell the ticket to another customer in such a limited timeframe, and per the definition of "Supply" in Article (1) of the Unified Agreement mentioned above, the penalty is compensation for "specific damages" resulting from the ticket cancellation. True fines and penalties are not considered consideration for any supply. This is not affected by what was mentioned in the appealed decision that the Appellant did not separate the penalties related to international and domestic transport; this is because the disputed item is a ticket cancellation penalty and is not linked to the supply related to the ticket itself, as it is a compensation imposed due to damages or loss and not consideration for goods or services, and therefore falls outside the scope of Value Added Tax. Additionally, the Taxpayer exercised due diligence by communicating with the Authority, which is the legislating entity, and which responded to the Taxpayer's inquiry in the email attached to the case file confirming the non-applicability of the tax ("Out of Value Added Tax scope"). Accordingly, the Circuit concludes to accept the appeal, annul the Resolution Circuit's decision, and annul the Zakat, Tax and Customs Authority's decision.

Regarding the appeal submitted by (...) against the Resolution Circuit's decision dismissing its lawsuit concerning the zero-rated sales item for the (...) unit pertaining to international flight operation and maintenance services: It objects to the Resolution Circuit's decision because they are zero-rated taxable sales as they relate to international flight services for (...) aircraft. Furthermore, parking fees for (...) aircraft at international airports were erroneously disclosed within the disputed item, as they represent transactions outside the scope of Value Added Tax. The Appellant asserts the validity of the documents it submitted,



extracted from accounting systems and based on contracts with its customers, clarifying that (...) flights are by nature confidential and unannounced to the public. Since it is established that the appealed decision aligns with statutory provisions and is based on sound and sufficient reasoning, as the issuing Circuit scrutinized the crux of the dispute and reached its resulting operative part, and given that the Appeal Circuit noticed nothing requiring correction or further commentary in light of the defenses raised before it, it concludes that these defenses do not impact the decision's outcome. Accordingly, the Circuit concludes to reject the appeal and uphold the Resolution Circuit's decision based on its reasoning.

Regarding the appeal submitted by (...) against the Resolution Circuit's decision which ruled to reject his lawsuit concerning the sales item for the (...) unit pertaining to cancelled invoice adjustments declared within the sales item: It objects to the Resolution Circuit's decision and requests that, in the event the zero-rated sales pertaining to the (...) unit are reclassified as standard-rated taxable sales, the adjustments listed on the 0% taxable sales be taken into consideration as they aim to reduce sales and are considered part of the total value. Upon the Circuit's review of the case file and the defenses and documents it contained, and based on Article (2) of the Implementing Regulations of the Value Added Tax Law which states: *"For the purposes of applying the Law and these Regulations, a Taxable Person in the Kingdom is a Person who conducts an independent Economic Activity for the purpose of generating income, and is registered for Value Added Tax purposes in the Kingdom or is considered required to register for Value Added Tax purposes therein in accordance with the Law and these Regulations."* And based on Article (14) of the same Regulations which states: *"Without prejudice to what is stated in Article 2 of the Law, and 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 by any Taxable Person in the Kingdom in the course of conducting an Economic Activity..."* And based on Paragraph (2) of Article (34) thereof which states: *"International transport of passengers shall be zero-rated in accordance with the provisions of these Regulations in the following cases: a) The transport is carried out by any Qualifying Means of Transport. b) The transport is carried out by scheduled passenger flights or by sea voyages conducted according to an announced schedule."* And based on Paragraphs (3) and (8) of Article (34) concerning zero-rated services linked to international passenger transport and the definition of Qualifying Means of Transport, as well as Paragraph (1) of Article (40) concerning adjustments to the value of a taxable supply. Upon reviewing the appealed decision, it becomes evident that the reasoning upon which it was based to dismiss this item—relying on the lack of a response from the Authority and the absence of adjustments on the (Sales Adjustment) item—is unsound. By reviewing the submitted statements of appeal, it is clear the Appellant demands that the adjustments on sales pertaining to (...) be reclassified to standard-rated taxable sales if the application of the zero-rate on (...) sales is rejected. By reviewing the tax assessment, it is evident that the Authority subjected the zero-rated taxable sales for the (...) unit to standard-rated taxable sales without taking the associated adjustments into account. Whereas the Appellant submitted the credit notes related to the invoices by which the zero-rated sales for (...) were reduced, via credit note No. (...)



associated with invoice No. (...) for the amount of (14,432,838.75) Riyals. Since the Circuit concluded in the above item to subject the zero-rated sales for the (...) unit to the standard rate, the validity of the Appellant's claim to reclassify the disputed adjustment amount to the standard-rated sales adjustments item is established. Accordingly, the Circuit concludes to accept the appeal and cancel the Zakat, Tax and Customs Authority's decision.

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

Decision

First: Regarding the appeal of the Zakat, Tax and Customs Authority:

Acceptance of the appeal procedurally.

On the merits:

1. Rejection of the appeal of the Zakat, Tax and Customs Authority regarding the manpower (employee) supply services to (...), and affirmation of the Resolution Circuit's decision.

Second: Regarding the appeal of ... (TIN):

Acceptance of the appeal procedurally.

On the merits:

1. Rejection of the appeal regarding tickets sold in 2017 for scheduled flights in 2018 and 2019, and affirmation of the Resolution Circuit's decision.
2. Acceptance of the appeal regarding the item of ticket cancellation penalties, annulment of the Resolution Circuit's decision, and annulment of the Zakat, Tax and Customs Authority's decision.
3. Rejection of the appeal regarding the sales item for the (...) unit pertaining to international flight operation and maintenance services, and affirmation of the Resolution Circuit's decision.
4. Acceptance of the appeal regarding the sales item for the (...) unit pertaining to cancelled invoice adjustments declared within the sales item in the amount of (14,432,838.75) Riyals, and annulment of the Zakat, Tax and Customs Authority's decision.



Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes

Decision No VA-2025-246602

Case No. V-2024-246602

Keywords:

Value Added Tax – Zero Rate – Prior supplies – Supporting documentation – Amending the assessment

Summary:

The objection of the Zakat, Tax and Customs Authority to the Resolution Circuit's decision which ruled to uphold its previous decision regarding the reassessment of the tax period of January 2018. Whereas the Authority argued the Taxpayer's failure to submit the statutory documents supporting the application of the zero rate, and the non-fulfillment of the tax treatment conditions for supplies prior to the entry into force of the Law. And whereas the Appeal Circuit decided to consider the lawsuit on the merits after the Resolution Circuit adhered to its previous decision. And it was proven to it that the Taxpayer submitted contracts and letters from the Company (...) supporting the execution of the progress billings prior to the year 2018; however, he did not submit a detailed sales statement or sufficient documents linking the revenues and invoices to the disputed amounts. He also did not submit the written certificate required to apply the zero rate; the implication of this is: acceptance of the appeal procedurally, annulling the Resolution Circuit's decision, amending the Authority's decision regarding the sales item for the amount to be 43,343 Riyals, and amending the penalty for error in the return accordingly.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Paragraph (1) of Article (42) of the Value Added Tax Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH.
- Article (56) of the Implementing Regulations of the Value Added Tax Law issued by the Board of Directors of the Zakat, Tax and Customs Authority Resolution No. (3839) dated 14/12/1438 AH.
- Paragraph (3/c) of Article (79) of the Implementing Regulations of the Value Added Tax Law issued by the Board of Directors of the Zakat, Tax and Customs Authority Resolution No. (3839) dated 14/12/1438 AH.
- Paragraphs (2) and (3) of Article (37) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.



Parties Defenses:

Defenses of the Appellant (the Authority)

The Authority argued that the reason for rejecting the Taxpayer's objection is the failure to submit the statutory documents supporting its position, not the violation of the provisions of the article relating to the cancellation of registration. It also argued the Taxpayer's non-fulfillment of the conditions for applying the zero rate to the supplies, and the insufficiency of the written certificate submitted by it due to it not containing the customer's confirmation of the possibility to deduct the input tax in full. It also adhered to the failure to submit what proves the existence of revenues for works executed prior to the entry into force of the Law.

The Committee's response to the defenses:

It became evident to the Appeal Circuit that the decision issued by the Resolution Circuit ruled to adhere to its previous decision No. (VD-2021-786) which ruled the Circuit's lack of mandate to consider the request submitted by the Zakat, Tax and Customs Authority regarding the reassessment for the tax period of January 2018. And whereas the Appellant objects to the Resolution Circuit's decision because the Circuit went in its decision to state that the cancellation notice issued by the Authority did not clarify that the reason for rejecting the objection was the Appellee's violation of the provisions of Article (79) of the Implementing Regulations of the Value Added Tax Law. And it clarifies that the reason for rejection was the Appellee's failure to submit the statutory documents that support its viewpoint, and in that is a violation of the provisions of Article (56) of the Implementing Regulations of the Value Added Tax Law, which gave the Authority the right to obtain the statutory documents that support the Taxpayer's viewpoint. In addition to the Appellee's non-fulfillment of all the statutory requirements to apply the zero percent rate to the supplies, and the non-compliance of the written certificate submitted by the Appellee with Paragraph (3/C) of Article (79) of the same Regulations, as it stipulated the customer's submission of a written certificate to the supplier of the possibility to deduct the input tax for the supply, whereas the submitted certificate did not include the customer's confirmation of that. And the Appellee did not submit the documents proving the existence of revenues for works that were executed prior to the entry into force of the Law, and what confirms this is that the date of the copies of the progress billings is after the entry into force of the Law.

And whereas this lawsuit was considered by the First Circuit for the Resolution of Value Added Tax Violations and Disputes in the city of Dammam, and Decision No. (VD-2024-238967) was issued therein regarding the subject of the lawsuit referred to above, and whereas the Appeal Circuit's Decision No. (VA-2024-168314) ruled to annul the Resolution Circuit's decision and remand it to it in accordance with the stated grounds. And since the First Circuit for the Resolution of Value Added Tax Violations and Disputes in the city of Dammam decided to adhere to its previous decision after the lawsuit was remanded from the appeal. And whereas



Paragraph (2) of Article (37) of the Rules of Operation of the Zakat, Tax and Customs Committees stipulated: "If the Resolution Circuit's decision is in agreement in its result with its origins, the Appeal Circuit shall uphold it with the addition of whatever grounds it deems fit, but if it annuls it, it shall rule on what was annulled after pleading." And Paragraph (3) of the same Article stipulated: "If the Appeal Circuit decides to annul the Resolution Circuit's decision issued for lack of jurisdiction, or for accepting a subsidiary plea that resulted in preventing the proceeding of the lawsuit, or for the inadmissibility of considering it due to prior adjudication, or for not hearing it due to the lapse of the period, or for not accepting it procedurally, or for not accepting the lawsuit due to it not being formulated, it shall remand the lawsuit to the Resolution Circuit that issued the decision to consider the merits, unless the circumstances of the lawsuit are ready for adjudication, or the circumstances of the lawsuit necessitate adjudication expeditiously, or its subject matter is one upon which the decisions or principles of the Appeal Circuits have settled; in which case it is permissible to adjudicate it without remanding." And whereas adjudicating the subject of the dispute relates to annulling the Resolution Circuit's decision which ruled the Circuit's adherence to its previous decision, due to the Circuit exhausting its mandate to consider the case. Accordingly, the Circuit decides to annul the Resolution Circuit's decision No. (VD-2024-238967), and consider this lawsuit on the merits.

Upon the Appeal Circuit's review of the facts and documents of the lawsuit, it becomes clear that the Appellee (Company ...) submitted in Lawsuit No. (V-2018-521) contracts concluded with Company (...) prior to the date of May 30, 2017, in addition to (5) letters issued by the same company. By reviewing these letters, it becomes clear they include a confirmation from Company (...) that all progress billings were executed before the year 2018; however, the Appellee did not submit a detailed sales statement and a statement of the revenues that took place before the entry into force and the sales subject to the zero percent rate. And whereas the Appellee did not submit any supporting documents regarding those revenues, such as invoices or contracts and the like, to prove the validity of what it claims regarding the collection of the amount in the year 2017. Furthermore, Paragraph (3) of Article (79) of the Implementing Regulations of the Value Added Tax Law specified special requirements to treat the supply as a taxable supply at the zero percent rate, including the submission of a written certificate to the supplier of the possibility to deduct the input tax in full for the supply, which is what the Appellee did not submit, sufficing with submitting the contracts concluded with Company (...) and the letters issued by it, in addition to a letter directed from the Appellee (Company ...) to Company (...) dated (22/04/2018 AD) requesting a letter that all progress billings are not subject to tax and are treated at the zero rate. As for the bank account statements and the statement submitted by Company (...) of the invoices issued by it to the Appellee, they cannot be linked to the amounts due to the failure to submit a detailed sales statement; a matter with which the Appeal Circuit concludes to annul the Resolution Circuit's decision and amend the Zakat, Tax and Customs Authority's decision regarding the reassessment of the item of sales subject to tax at the standard rate for the amount to be (43,343) Riyals.



As regarding the penalty for error in the return, and the Appellant's claim to annul the Circuit's decision on the basis that the penalty was imposed in accordance with Paragraph (1) of Article (42) of the Value Added Tax Law as a result of the existence of a difference between the value of the amount declared in the Appellee's return and the amount determined by the Authority after the reassessment process for the disputed tax period. And whereas the above item has led to the annulment of the Resolution Circuit's decision and the amendment of the Zakat, Tax and Customs Authority's decision regarding the reassessment of the disputed item, and since the penalty resulted from it, then what is connected to it takes its ruling, a matter with which the Appeal Circuit concludes to amend the Zakat, Tax and Customs Authority's decision regarding the item of the penalty for error in the return.

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

Decision

First: Acceptance of the appeal submitted by the Zakat, Tax and Customs Authority procedurally.

Second: Annulment of Decision No. (VD-2024-238967) issued by the First Circuit for the Resolution of Value Added Tax Violations and Disputes in Dammam City.

Third: Amendment of the Zakat, Tax and Customs Authority's decision regarding the reassessment of the item of sales subject to Tax at the Standard Rate to be in the amount of (43,343) Riyals.

Fourth: Amendment of the Zakat, Tax and Customs Authority's decision regarding the item of the "penalty for error in the tax return" in accordance with Item (Third) of this Decision.



Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes

Decision No VA-2025-246704

Case No. V-2024-246704

Keywords:

Value Added Tax – Gas Station Activity – Tax Identification Number – Bank Deposits – Partial Acceptance

Summary:

The appeal of the Zakat, Tax and Customs Authority against the Resolution Circuit's decision which ruled to annul its decision regarding the item of sales subject to the standard rate for the third quarter of 2022 and the penalties resulting therefrom. Whereas the Authority argued that the station's activity is subject to tax and was audited during the pleading, and that the Taxpayer acknowledged registering the station under the same Tax Identification Number of the grocery store. And whereas the Circuit examined the submitted accounts, and thus excluded the personal accounts and the grocery store account due to the lack of proof of their relation to additional disputed sales, while it was proven from the Value Added Tax registration certificate that the station is listed among the Taxpayer's branches and is subject to the same tax number, which necessitates the disclosure of its sales in the disputed return; the implication of this is: acceptance of the appeal procedurally, and its partial acceptance regarding the station's sales item in the amount of 238,135.79 Riyals, and amending the subordinate penalties accordingly.

Document

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

Parties Defenses:

Defenses of the Appellant (Taxpayer)

The Authority argued that the gas station represents an economic activity subject to Value Added Tax, and its revenues were included in the audited statement. It also argued that the Taxpayer did not dispute the station's taxability but acknowledged registering it in the tax systems under the same TIN as the grocery store, and that the Resolution Circuit overlooked this acknowledgment even though it was not a point of contention between the two parties.



The Committee's response to the defenses:



It became evident to the Appeal Circuit that the decision issued by the Resolution Circuit annulled the Appellant's decision regarding the standard-rated taxable sales item for the third quarter of 2022, and the resulting penalties. The Appellant objects to the Resolution Circuit's decision on the grounds that the gas station, as a taxable economic activity, was audited and addressed during the pleadings by taxing the revenues listed in its respective statement. It argued that the Appellee did not deny or dispute its taxability, but rather acknowledged that the station is registered in the tax systems under the same TIN as the grocery store. However, the Circuit overlooked this and did not ask the Authority to prove the station's taxability, giving the Authority the impression that the Circuit was satisfied with the Appellee's acknowledgment of the station's taxability, especially since this was not a point of dispute between the Appellee and the Authority.

Upon the Appeal Circuit's review of the case file and its documents, and the statements in the appeal brief, and by referring to the documents submitted in the case file, it became clear that the Appellee provided a set of accounts as follows:

First/ Personal Accounts: The Appellee has personal accounts: an account in Bank (...) with No. (...), an account in Bank (...) with No. (...), and another account in Bank (...) with No. (...), all in the name of (...). The Appellee indicated in the memorandum of reply submitted before the Resolution Circuit that these accounts represent personal accounts. Reviewing the bank statements reveals a small number of personal transfers, in addition to a number of transfers received from the gas station's account. It was not evident that these accounts relate to taxable commercial transactions as claimed by the Appellant.

Second/ Accounts Related to Economic Activity: The Appellee has two accounts related to conducting economic activity: an account in Bank (...) with No. (...) in the name of (Grocery ...), where the Appellee indicates this account is linked to the grocery activity and is the account for which the tax return was filed. The total deposits during the disputed period amounted to (78,867.27) Riyals; therefore, taxing this amount is not considered a point of dispute between the parties. Additionally, there is another account in Bank (...) with No. (...) in the name of (Station ...). The Appellee indicates that the station has its own TIN and it is incorrect to pay tax twice for the station's activity. However, the Appellant submitted the VALUE ADDED TAX registration certificate with the appeal brief, which shows that the station is included in the list of the Appellee's branches. This means that both the station and grocery store activities share the same TIN (...), which dictates that sales related to the station's activity must be disclosed in the same disputed tax return. This is not negated by the Appellee's defense that the station has a separate TIN, as the Appellant provided the Value Added Tax registration certificate. Accordingly, the Appeal Circuit concludes to partially accept the Authority's appeal regarding the total deposits made into the station's account during the disputed period, for a total amount of (238,135.79) Riyals.



Regarding the error in return penalty and the late payment penalty, and the Appellant's request to annul the decision issued to cancel those penalties resulting from the tax assessment for the disputed tax period; since the above item led to the partial acceptance of the appeal, and since the penalties resulted from it, the accessory follows the principal. Accordingly, the Appeal Circuit concludes to partially accept the appeal regarding the disputed penalties.

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

Decision

First: Acceptance of the appeal submitted by the Zakat, Tax and Customs Authority procedurally.

Second: On the merits:

1. Partial Acceptance of the appeal regarding the item of standard-rated domestic sales in the amount of (238,135.79) Two Hundred Thirty-Eight Thousand, One Hundred Thirty-Five Riyals and Seventy-Nine Halalas, and amendment of the Resolution Circuit's decision.
2. Partial Acceptance of the appeal regarding the item of the penalty for error in the tax return, and amendment of the Resolution Circuit's decision, in accordance with what is stated in (Second/1) above.
3. Partial Acceptance of the appeal regarding the item of the late payment penalty, and amendment of the Resolution Circuit's decision, in accordance with what is stated in (Second/1) above.



Value Added Tax - Purchases



Appeal Committee for Tax Violations and Disputes First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes

Decision No VA-2025-246849

Case No. V-2024-246849

Keywords:

Value Added Tax – Input Tax – Change of Intent – Leased Property – Acceptance of the Appeal

Summary:

The Taxpayer's appeal against the decision of the Resolution Circuit, which ruled to reject its claim regarding the Tax assessment for the fourth quarter of 2023 concerning the disallowance of input tax under the purchases item due to a change in the Taxpayer's intent from leasing to selling. The Taxpayer argued that the sale agreement was executed subsequently, the disposition did not occur until the first quarter of 2024, and the Authority failed to provide sufficient grounds for the rejection. Since it was established to the Appeal Circuit that the Taxpayer had entered into a lease contract prior to the sale agreement, issued a tax invoice for the first lease installment, and provided a certified check for the value of the first installment plus the due Value Added Tax, the Appeal Circuit decided to accept the appeal procedurally and on the merits, annul the decision of the Resolution Circuit, and annul the decision of the Authority.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445H.
- Article 51(2) of the Implementing Regulations of the Value Added Tax Law issued by the Board of Directors of the Zakat, Tax and Customs Authority Resolution No. (3839) dated 14/12/1438H.

Parties Defenses:

Defenses of the Appellant (Taxpayer)

The Taxpayer argued the invalidity of excluding the input tax from the purchases item due to the change of intention from leasing to selling, because the sales contract was subsequent and the disposal did not take place until the first quarter of 2024. He also argued the existence of a legislative vacuum in treating the impact of the change of intention on the deduction and refund of the input tax, and that the Authority relied on statutory articles without clarifying the reason for the rejection.



The Committee's response to the defenses:



It became evident to the Appeal Circuit that the decision issued by the Resolution Circuit ruled to reject the Appellant's lawsuit regarding the request to annul the final assessment notice for the tax period of the fourth quarter of the year 2023. And whereas the Appellant objects to the Resolution Circuit's decision due to the Authority's exclusion of the amount of (2,229,182.32) Riyals from the taxable purchases item and the addition of (27,629,019.95) Riyals to the purchases adjustment item, which resulted in the exclusion of input tax valued at (4,478,730.37) Riyals due to the change in the Taxpayer's intention from leasing to selling. He clarified that the sales agreement was subsequent and the disposal did not take place until the first quarter of 2024. He also pointed out the existence of a legislative vacuum in treating the change of the Taxpayer's intention and its impact on the deduction and refund of the input tax in a manner that harms the financial positions of the taxpayers, and he argued that the Authority relied on statutory articles without providing a reasoned clarification for the rejection.

By the Appeal Circuit's review of the lawsuit documents and the reason for the exclusion according to the "assessment summary", which is "purchases that do not qualify for deduction based on Article (51), Paragraph (2) of the Implementing Regulations". And whereas it was proven that the Appellant concluded a lease contract prior to the sales contract, and a tax invoice was issued against the first rental payment, and a certified check was submitted in the value of the first installment of the rent and the value of the Value Added Tax resulting therefrom; a matter with which the Appeal Circuit concludes to accept the appeal on the merits, annul the Resolution Circuit's decision, and annul the Appellee's decision.

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

Decision

First: Acceptance of the appeal submitted by / (...) Company, Commercial Registration No. (...), procedurally.

Second: Acceptance of the appeal on the merits, annulment of the decision No. (VR-2024-243113) of the First Circuit for Resolution of Value Added Tax Violations and Disputes in Riyadh City, and annulment of the Appellee's decision.



Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes

Decision No VA-2025-247265

Case No. V-2024-247265

Keywords:

Value Added Tax – Domestic Purchases – Tax Invoice – Taxable Amount – Amending the decision

Summary:

The objection of the Zakat, Tax and Customs Authority to the Resolution Circuit's decision which ruled to amend its decision regarding the item of domestic purchases subject to tax at 15% for the third quarter of 2022 and the penalties resulting therefrom. Whereas the Authority argued that the disputed invoice does not fulfill one of the conditions of a tax invoice due to not including the applied tax rate, and that the correct taxable amount is less than the amount accepted in the resolution decision. And whereas the Circuit upheld the acceptance of the purchases deduction supported by the grounds of the resolution decision, except that after examining the invoice and the tax return, it was proven to it that the taxable amount is 43,492.68 Riyals, not 510,401.04 Riyals; the implication of this is: acceptance of the appeal procedurally and rejecting it on the merits, with amending the invoice amount and amending the penalties accordingly.

Document

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

Parties Defenses:

Defenses of the Appellant (Taxpayer)

The Authority argued the invalidity of accepting the entire amount of the disputed invoice due to it not fulfilling one of the conditions of a tax invoice and for not including the applied tax rate. It also argued that the correct taxable amount in the supplier's invoice is 43,492.68 Riyals, and that the deductible input tax for the consolidated invoice is 6,523.9 Riyals only.



The Committee's response to the defenses:



It became evident to the Appeal Circuit that the decision issued by the Resolution Circuit ruled to amend the Appellant's decision relating to the item of domestic purchases subject to tax at 15% for the tax period of the third quarter of 2022 and the penalties resulting therefrom. And whereas the Appellant objects to the Resolution Circuit's decision because Invoice No. (...) dated 30/09/2022 from the supplier Company (...), which the Appellee claims to accept its deduction, was proven to contain a violation of one of the conditions of a tax invoice, as it did not show the inclusion of the applied tax rate. The Appellant also pointed out that the correct taxable amount for the supplier's invoice (...) is (43,492.68) Riyals, and the tax amount intended to be deducted for the consolidated invoice No. (...) is (6,523.9) Riyals only.

As regarding the Appellant's objection to "accepting the purchases deduction", since it is established that the appealed decision regarding the dispute under consideration came in accordance with the provisions of the Law, and with the sound grounds upon which it was based and which are sufficient to uphold its ruling. As the Circuit that issued it undertook the scrutiny of the core of the dispute therein and concluded in its regard to the result it reached in its operative part. And whereas the Appeal Circuit did not notice anything regarding it necessitating correction or commentary in light of the submitted defenses raised before this Circuit, a matter with which it concludes to declare their lack of impact on the decision's result. Based on the foregoing, the Circuit concluded to decide the rejection of the appeal and the upholding of the Resolution Circuit's decision in what it concluded, supported by its grounds.

As regarding the Appellant's objection to the "amount" subject to Value Added Tax in Invoice No. (...) dated (30/09/2022 AD), by the Appeal Circuit's review of the disputed tax invoice, it was proven that the taxable total is estimated at the amount of (43,492.68) Riyals and not at the amount of (510,401.04) Riyals, especially since the Appellee, when submitting the tax return for the disputed period, included in the item of domestic purchases subject to tax at the standard rate the amount of (221,795) Riyals only, in accordance with the tax return submitted in the case file. A matter with which the Appeal Circuit concludes to amend Item No. (1) in the operative part of the resolution decision so that the amount subject to Value Added Tax in Invoice No. (...) dated (30/09/2022 AD) becomes (43,492.68) forty-three thousand four hundred ninety-two Riyals and sixty-eight Halalas instead of (510,401.04) five hundred ten thousand four hundred one Riyals and four Halalas.

As regarding the two penalties for error in the return and late payment, and the Appellant's claim to cancel those penalties which resulted from the final assessment notice for the disputed tax period. And whereas the purchases item above has led to rejecting the appeal while amending the amount, and since the penalties resulted from that, then what is connected to it takes its ruling, a matter with which the Appeal Circuit



concludes to reject the appeal while amending the Resolution Circuit's decision regarding the penalties subject of the appeal in accordance with what is stated above.

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

Decision

First: Acceptance of the appeal submitted by / Zakat, Tax and Customs Authority procedurally.

Second: On the merits:

- 1- Rejection of the appeal regarding the item of domestic purchases subject to the standard tax rate, and amendment of the Item No. (1) in the ruling of the Resolution Circuit's decision such that the amount subject to Value Added Tax in Invoice No. (...) dated (30/09/2022) is SAR (43,492.68) Forty-Three Thousand Four Hundred Ninety-Two Arabian Riyals and Sixty-Eight Halalas, instead of SAR (510,401.04) Five Hundred Ten Thousand Four Hundred One Arabian Riyals and Four Halalas.
- 2- Rejection of the appeal regarding the item of penalty for error in return, and amendment of the Resolution Circuit's decision in accordance with (Second/1) above.
- 3- Rejection of the appeal regarding the item of late payment penalty, and amendment of the Resolution Circuit's decision in accordance with (Second/1) above.



Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes

Decision No VA-2025-247734

Case No. V-2025-247734

Keywords:

Value Added Tax – Sales Returns – Input Tax – Tax Evasion Penalty – Partial Acceptance

Summary:

The Taxpayer's objection to the Resolution Circuit's decision which ruled to dismiss his lawsuit regarding the tax assessment for the first quarter of 2022 and the imposed penalties. Whereas he argued the validity of the sales returns, and his entitlement to the purchases deduction due to his submission of an invoice, a voucher, and a confirmation from the supplier. He also argued the invalidity of the evasion penalty and the investigation record. And whereas the Circuit upheld the resolution decision regarding the sales returns, the purchases, and the penalty for late payment due to the soundness of its grounds. And it decided regarding the evasion penalty that the regulatory decision determining the penalty's value must be published to the public, and its publication was not proven, thus it amended the penalty to the minimum limit. It also decided the inadmissibility of combining the evasion penalty and the penalty for error in the return for the same event; the implication of this is: rejecting the appeal regarding the principal, amending the evasion penalty, and annulling the penalty for error in the return.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445H.
- Article 40 of the Value Added Tax Law, issued by Royal Decree No. (M/113) dated 02/11/1438H.
- Article 48 of the Value Added Tax Law, issued by Royal Decree No. (M/113) dated 02/11/1438H.
- Article 49(7) of the Implementing Regulations of the Value Added Tax Law issued by the Board of Directors of the Zakat, Tax and Customs Authority Resolution No. (3839) dated 14/12/1438H.
- Board of Directors of the Zakat, Tax and Customs Authority Resolution No. (2017-3-7) dated 12/03/1439H.



Parties Defenses:

Defenses of the Appellant (Taxpayer)

The Taxpayer argued the validity of the disputed sales returns due to the prior submission of a tax return proving their existence at the same value he declared. He also argued his entitlement to the taxable purchases deduction due to his submission of a tax invoice, a promissory note, a confirmation from the supplier, and a description of the provided services. And he adhered to the invalidity of the tax evasion penalty due to his non-acknowledgment of the validity of what was stated in the investigation record, and his refusal to sign it for containing altered statements.

The Committee's response to the defenses:

It became evident to the Appeal Circuit that the decision issued by the Resolution Circuit ruled to reject the Appellant's lawsuit regarding his objection to the tax assessment for the first quarter of the year 2022, and the imposed penalties. And whereas the Appellant objects to the Resolution Circuit's decision due to his submission of the documents proving the validity of the disputed sales returns, as a previous tax return was submitted for the disputed tax period which proves the existence of the returns' sales at the same value that was declared, regarding the exclusion of the sales returns in the amount of (1,430,000) Riyals and the late payment penalty resulting therefrom. And regarding the purchases subject to tax at the standard rate of 15% in the amount of (6,890,000) Riyals and the late payment penalty resulting therefrom, the Appellant pointed out his submission of a tax invoice proving the right to deduction according to the text of Article (49), Paragraph (7) of the Implementing Regulations of the Value Added Tax Law. He pointed out that the Resolution Circuit and the Authority did not specify or clarify what the other documents are that prove bearing the tax amount, as a "promissory note" was previously submitted to the Appellee as proof of bearing the tax, and a confirmation from the supplier "Establishment..." on the validity of the invoice and a description of the provided services was also submitted.

And since it is established that the appealed decision regarding the dispute under consideration came in accordance with the provisions of the Law, and with the sound grounds upon which it was based and which are sufficient to uphold its ruling. As the Circuit that issued it undertook the scrutiny of the core of the dispute therein and concluded in its regard to the result it reached in its operative part. And whereas the Appeal Circuit did not notice anything regarding it necessitating correction or commentary in light of the submitted defenses raised before this Circuit, a matter with which it concludes to declare their lack of impact on the decision's result. Based on the foregoing, the Circuit concluded to decide the rejection of the appeal and the upholding of the Resolution Circuit's decision in what it concluded, supported by its grounds.



As regarding the tax evasion penalty, and whereas the Appellant objects to the Resolution Circuit's decision because of his non-acknowledgment of the validity of what was stated in the investigation record, as he also refused to sign because it contained altered statements.

By the Appeal Circuit's review of the lawsuit documents, and whereas it is established that the Authority imposed the tax evasion penalty based on the decision of the Board of Directors of the General Authority of Zakat and Tax No. (7-3-2017) dated 12/3/1439 AH, which ruled to approve the internal criteria for determining the value of the financial penalty for the tax evasion violation in accordance with the Value Added Tax Law. And since the aforementioned decision of the Authority's Board of Directors was issued in implementation of Article (48) of the Value Added Tax Law which stipulated that: "The Authority shall undertake the imposition of the penalties stipulated in the Law in accordance with a classification of the violations and a determination of the penalties issued by a decision of the Board of Directors, taking into consideration the proportionality between the violation and the penalty," this decision is considered a regulatory decision issued in accordance with the Value Added Tax Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH. And since this type of decision has a regulatory nature and contains general abstract rules that apply to all individuals to whom the conditions stated in the decision apply, and affects their legal positions, the Law requires the declaration and publication of those decisions to the public, and the burden of proving that falls upon the administration. This is consistent with judicially established principles. And whereas the publication of that decision was not proven, the application of the text of Article (40) of the Value Added Tax Law shall be by imposing the tax evasion penalty at its minimum limit, which is the value of the tax due. Based on the foregoing, the Appeal Circuit concludes to reject the appeal regarding the imposition of the tax evasion penalty, with amending the penalty amount to be at its minimum limit in the amount of (1,248,000) one million two hundred forty-eight thousand Riyals, amending the Resolution Circuit's decision, and amending the Zakat, Tax and Customs Authority's decision accordingly.

As regarding the penalty for error in the return, and whereas there is no justification for the Authority's imposition of the penalty for error in the return, as in this case it has issued two penalties for the same event, which are the tax evasion penalty and the penalty for error in the return. In addition to the fact that the penalty for error in the return is imposed in the absence of tax evasion, since the error in the return necessitates the absence of the intention of evasion. As the penalty for error in the return is imposed in cases where the Taxpayer makes an error in his return without the existence of the intention of tax evasion. Based on the foregoing, the Appeal Circuit concludes to accept the appeal and annul the Resolution Circuit's decision regarding the penalty for error in the return, and annul the Zakat, Tax and Customs Authority's decision regarding it.

As regarding the penalty for late payment, and since it is established that the appealed decision regarding the dispute under consideration came in accordance with the provisions of the Law, and with the sound grounds



upon which it was based and which are sufficient to uphold its ruling. As the Circuit that issued it undertook the scrutiny of the core of the dispute therein and concluded in its regard to the result it reached in its operative part. And whereas the Appeal Circuit did not notice anything regarding it necessitating correction or commentary in light of the submitted defenses raised before this Circuit, a matter with which it concludes to declare their lack of impact on the decision's result. Based on the foregoing, the Circuit concluded to decide the rejection of the appeal and the upholding of the Resolution Circuit's decision in what it concluded, supported by its grounds.

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

Decision

First: Acceptance of the appeal submitted by / (...), National ID No. (...), procedurally.

Second: On the merits:

- 1- Rejection of the appeal regarding sales returns amounting to SAR (1,430,000) One Million Four Hundred Thirty Thousand Riyals, and affirmation of the decision of the Resolution Circuit.
- 2- Rejection of the appeal regarding purchases subject to the standard 15% rate amounting to SAR (6,890,000) Six Million Eight Hundred Ninety Thousand Riyals, and affirmation of the decision of the Resolution Circuit.
- 3- Rejection of the appeal regarding the imposition of the tax evasion penalty, while amending the penalty amount to its statutory minimum of SAR (1,248,000) One Million Two Hundred Forty-Eight Thousand Riyals, and amendment of the decisions of the Resolution Circuit and the Zakat, Tax and Customs Authority accordingly.
- 4- Acceptance of the appeal regarding the penalty for error in return, and annulment of the decision of the Resolution Circuit and the decision of the Zakat, Tax and Customs Authority.
- 5- Rejection of the appeal regarding the late payment penalty, and affirmation of the decision of the Resolution Circuit.



Tax Refund



Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes

Decision No VA-2025-238924

Case No. V-2024-238924

Keywords:

Tax Refund – Input Tax – Land Purchase – Registration Date – Acceptance of the Appeal

Summary:

The Zakat, Tax and Customs Authority's objection to the Resolution Circuit's decision which ruled to annul the Authority's decision and accept the deduction of input tax for a land purchase. The Authority argued that the accounting entry represents a capital increase rather than an incurred expense, that the Appellee is not a party to the title deed (Deed of Conveyance), and that the documents do not prove the Appellee bore the tax. As it was established to the Circuit that a discrepancy exists between the financial statements and the recording entry, that the payment checks were issued by the partner and not the company, and that the effective date of the company's Value Added Tax registration was more than six months subsequent to the date of the purchases, the outcome is the acceptance of the Authority's appeal, the annulment of the Resolution Circuit's decision, and the affirmation of the exclusion of the disputed purchases amount.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445H.
- Paragraph (1) of Article (48) of the Unified Value Added Tax Agreement for the Cooperation Council for the Arab States of the Gulf issued by Royal Decree No. (M/51) dated 03/05/1438 AH.
- the Implementing Regulations of the Value Added Tax Law issued by the Board of Directors of the Zakat, Tax and Customs Authority Resolution No. (3839) dated 14/12/1438 AH.

Parties Defenses:

Defenses of the Appellant (Taxpayer)

The Authority argued the taxpayer's lack of entitlement to deduct the input tax on the land purchase because the accounting entry represents an increase in capital, not an expense borne by the company. It further argued



that the invoices and documents neither prove that the company is a party to the title deed nor establish the occurrence of a commercial exchange entitling it to exercise the deduction.

The Committee's response to the defenses:



It became evident to the Appeal Circuit that the decision issued by the Resolution Circuit ruled to annul the Appellant's decision concerning the final assessment for the second quarter of 2023. The Authority objects to the Resolution Circuit's decision on the grounds that the accounting entry indicates the transaction is an increase in the company's capital and not an expense incurred by the company, as the credit side does not reflect any resources or assets transferred to (...) to presume the existence of a commercial exchange. Furthermore, the submitted invoices and documents indicate that the Appellee is not a party to the title deed relied upon, thereby violating the provisions of Article (48) of the Unified Value Added Tax Agreement for the Cooperation Council for the Arab States of the Gulf, and Articles (49) and (53) of the Implementing Regulations of the Value Added Tax.

Upon the Appeal Circuit's review of the case documents, it is evident that the Appellee declared purchases valued at SAR (6,150,000) according to the tax return, comprising the land value of SAR (6,000,000) in addition to the brokerage fee of SAR (150,000). Whereas the Resolution Circuit's decision accepted the tax deduction for the land value exclusively because the Appellee submitted the accounting entry to prove the land purchase, cross-referencing the land purchase value with the financial statements reveals a discrepancy between the financial statements and the recording entry. Consequently, the accounting entry cannot be reconciled with the statements. In addition, the payment checks prove that the partner (...) is the one who paid the land value, contrary to what the accounting entry displays as an equal split between the two partners, making it unclear whether the company incurred the tax on the purchases. Thus, the company is not entitled to exercise the deduction pursuant to Paragraph (1) of Article (48) of the Unified Value Added Tax Agreement for the Cooperation Council for the Arab States of the Gulf, and Paragraph (7) of Article (49) of the Implementing Regulations of the Value Added Tax Law.

Moreover, the company's Value Added Tax registration certificate indicates that the effective date is 01/11/2022, while the purchases it seeks to deduct were, according to its statement, dated 25/05/2020. Therefore, its violation of the provisions of Paragraph (2) of Article (49) of the Implementing Regulations of the Value Added Tax Law is established, given that the tax on the purchases it incurred exceeded the six (6) month period preceding the effective date of registration. Based on the foregoing, the Circuit concludes to accept the Authority's appeal regarding the exclusion of the amount of SAR (6,000,000) from the 5% taxable purchases, and to annul the Resolution Circuit's decision.

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



Decision

First: Acceptance of the appeal submitted by the Zakat, Tax and Customs Authority procedurally.

Second: Acceptance of the appeal submitted by the Zakat, Tax and Customs Authority on the merits regarding the 5% taxable purchases item valued at six million Riyals (SAR 6,000,000), annulment of the decision of the First Circuit for the Resolution of Value Added Tax Violations and Disputes in Riyadh City No. (VR-2024-228083), and affirmation of the Appellant's decision in this regard.



Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes

Decision No VA-2025-241162

Case No. V-2024-241162

Keywords:

Tax Refund – Domestic Purchases – Invoices Deduction – Input Tax – Partial Acceptance

Summary:

A mutual appeal between the Authority and the Taxpayer against the Resolution Circuit's decision relating to the final assessment notice for the month of June 2023. Whereas the Authority argued the Taxpayer's lack of entitlement to deduct invoices containing a tax number for another taxpayer without supporting documents. And the Taxpayer argued his entitlement to deduct the excluded company's invoices due to his submission of the invoices in the Arabic language, the bank transfers, and a statement linking the invoices to the payment. And whereas the Circuit upheld the resolution decision in rejecting the Authority's appeal due to the soundness of its grounds. And it decided to accept the Taxpayer's appeal after it was proven that he submitted the purchase invoices, purchase orders, invoice statement, payment dates, and amounts, in a manner that proves actually bearing the purchases; the implication of this is: rejecting the Authority's appeal and accepting the Taxpayer's appeal regarding the domestic purchases item.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445H.
- Paragraph (1) of Article (48) of the Unified Value Added Tax Agreement for the Cooperation Council for the Arab States of the Gulf issued by Royal Decree No. (M/51) dated 03/05/1438 AH.
- Paragraph (7) of Article (49) of the Implementing Regulations of the Value Added Tax Law issued by the Board of Directors of the Zakat, Tax and Customs Authority Resolution No. (3839) dated 14/12/1438 AH.



Parties Defenses:

Defenses of the Appellant (the Authority)

The Authority argued the Taxpayer's lack of entitlement to the tax deduction due to the existence of invoices containing a tax number belonging to another taxpayer without submitting the correct supporting documents that prove the right to deduction.

Defenses of the Appellant (Taxpayer)

The Taxpayer argued his entitlement to deduct the excluded company (...) invoices because he submitted all the invoices in the Arabic language, attached with the bank transfers and a statement linking the invoice number to its amount, its payment date, and the method of the bank transfer.

The Committee's response to the defenses:

It became evident to the Appeal Circuit that the decision issued by the Resolution Circuit ruled to amend the procedure of the Appellant (the Zakat, Tax and Customs Authority) regarding the item of domestic purchases subject to the standard rate of 15% for the period relating to the month of June of the year 2023 and amending the penalties resulting therefrom. And whereas it [the Authority] objects to the Resolution Circuit's decision because the Appellee violated the tax provisions, as it disclosed invoices containing a tax number belonging to another taxpayer without submitting the supporting documents required for the tax deduction, thereby violating the Implementing Regulations of the Value Added Tax, and it is obligated to submit the correct invoices and documents proving the right to deduction. And since it is established that the appealed decision regarding the dispute under consideration came in accordance with the provisions of the Law, and with the sound grounds upon which it was based and which are sufficient to uphold its ruling. As the Circuit that issued it undertook the scrutiny of the core of the dispute therein and concluded in its regard to the result it reached in its operative part. And whereas the Appeal Circuit did not notice anything regarding it necessitating correction or commentary in light of the submitted defenses raised before this Circuit, a matter with which it concludes to declare their lack of impact on the decision's result. Based on the foregoing, the Circuit concluded to decide the rejection of the appeal and the upholding of the Resolution Circuit's decision in what it concluded, supported by its grounds.

As regarding the appeal submitted by (...) against the Resolution Circuit's decision which ruled to reject its objection to the final assessment notice for the period of the month of June of the year 2023 regarding the exclusion of the invoices issued by Company (...). And whereas it objects to the Resolution Circuit's decision due to its submission of all the invoices of Company (...) for month 6 of the year 2023 in the Arabic language, including the bank transfer that relates to the payment of the invoices' amount, and a statement clarifying the



invoice number, the amount relating to the invoice, the invoice payment date, and the method of the bank transfer. By the Appeal Circuit's review of the Resolution Circuit's decision and what it ruled, and after reviewing the entire case file; it becomes clear that the foundation of the appealed decision is based on the following: (the lack of clarity in the connection between the amounts mentioned in the bank transfers and the purchases statement relating to the company, in addition to the fact that the invoices are in the English language). By referring back to the documents submitted by both parties in the case file, it becomes clear that the Appellant (Company ...) has submitted all the following documents: (the purchase invoices in the Arabic language in addition to linking them with the bank transfers supporting the invoices, purchase orders, a statement of the invoices clarifying the payment dates and the amounts). Accordingly, it becomes clear that the Appellant submitted sufficient and supporting documents confirming its actual bearing of those purchases, which entitles it to the right to exercise the input tax deduction in its tax return, in accordance with Paragraph (1) of Article (48) of the Unified Value Added Tax Agreement for the Cooperation Council for the Arab States of the Gulf, and Paragraph (7) of Article (49) of the Implementing Regulations of the Value Added Tax Law. A matter with which the Appeal Circuit concludes to accept the appeal.

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

Decision

First: Regarding the appeal of the Zakat, Tax and Customs Authority:

- 1- Acceptance of the appeal procedurally.
- 2- Rejection of the appeal on the merits.

Second: Regarding the appeal of Company (...), Commercial Registration No. (...):

- 1- Acceptance of the appeal procedurally.
- 2- Acceptance of the appeal regarding the domestic purchases item subject to the standard tax rate in the amount of SAR (1,410,945.39) One Million Four Hundred Ten Thousand Nine Hundred Forty-Five Riyals and Thirty-Nine Halalas, annulment of the decision of the First Circuit for the Resolution of Value Added Tax Violations and Disputes in Riyadh City No. (VR-2024-231854), and annulment of the Authority's decision.



Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes

Decision No VA-2025-158

Case No. V-2024-245790

Keywords:

Tax Refund – Petition for Reconsideration – Reverse Charge Mechanism – Input Tax – Acceptance of Petition

Summary:

The Taxpayer's petition for reconsideration against the Appeal Circuit's decision which ruled to establish the abandonment of litigation in the objection, grounding its petition on the fact that the company reactivated the lawsuit within the Statutory deadline and did not request the abandonment of litigation. The taxpayer also pleaded on the merits that the basis of the assessment was unclear, and that the Authority processed the Reverse Charge Mechanism amounts in the adjustment column, which resulted in depriving it of the input tax deduction despite the absence of proven exempt sales. As it was established to the Circuit—according to the hearing minutes—that the minutes did not contain a judicial admission by the Petitioner concluding the dispute, and that the appealed decision ruled on a matter not requested by the litigants (which is one of the cases where a petition for reconsideration is accepted), and as the lack of clarity in the assessment basis that led to depriving the taxpayer of the tax deduction was proven, despite the lack of proven exempt sales and the proven existence of standard-rated sales according to the tax return, this affirms the taxpayer's right to deduct the inputs related to the Reverse Charge Mechanism. The outcome is the acceptance of the petition procedurally and on the merits, and the annulment of both the Resolution Circuit's decision and the Authority's decision.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445H.
- Article (200) of the Law of Sharia Procedures issued by Royal Decree No. (M/1) dated 22/01/1435 AH.
- The Unified Value Added Tax Agreement for the Cooperation Council for the Arab States of the Gulf issued by Royal Decree No. (M/51) dated 03/05/1438 AH.
- Paragraph (2) of Article (64) of the Implementing Regulations of the Value Added Tax Law issued by the Board of Directors of the Zakat, Tax and Customs Authority Resolution No. (3839) dated 14/12/1438 AH.



- Paragraph (1) of Article (40) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445H.

Parties Defenses:

Defenses of the Appellant (Taxpayer)

The Petitioner argued that the decision establishing the abandonment of litigation was issued without its request and that it reactivated the lawsuit within the Statutory deadline. It also argued the lack of clarity regarding the basis of the assessment in the assessment notice, the difference in treatment between Withholding Tax and Value Added Tax, and that the Authority deprived it of deducting the full input tax despite fulfilling the deduction conditions and the lack of proven exempt sales on its part.

The Committee's response to the defenses:

Upon reviewing the memorandums and responses submitted by both parties, it became evident to the Circuit that the petitioned decision issued by the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes ruled to establish the abandonment of litigation in the objection. Given that the general principle for judicial rulings, once final, is the inadmissibility of reconsideration except in the cases outlined in Article (200) of the Law of Sharia Procedures issued by Royal Decree No. (M/1) dated 22/01/1435 AH, which states: "1. Any of the litigants may petition for reconsideration of final judgments in the following cases: a- If the judgment was based on documents that were proven forged after the judgment, or based on testimony ruled as perjury by the competent authority after the judgment. b- If the petitioner, after the judgment, obtains conclusive documents in the case that were impossible to submit prior to the judgment. c- If fraud was committed by the adversary that would influence the judgment. d- If the judgment ruled on something not requested by the litigants or more than what they requested. e- If the operative part of the judgment contradicts itself. f- If the judgment was issued in absentia. g- If the judgment was issued against someone who was not properly represented in the lawsuit. 2. Anyone against whom the judgment is deemed binding and who was not joined or did not intervene in the lawsuit is entitled to petition for reconsideration of final judgments," and based on Paragraph (1) of Article (40) of the Rules of operation of the Zakat, Tax and Customs Committees which states: "1- Any of the parties to the lawsuit has the right to petition for reconsideration of the final decisions issued by any of the Circuits." Since the Petitioner relies on Paragraph (1/d) of Article (200) of the Law of Sharia Procedures, and upon the Appeal Circuit's review of the minutes of the hearing held on 19/03/2024, it was established that the minutes did not include a judicial admission from the Appellant concluding the dispute. Given that the petitioned decision ruled to (establish the abandonment of litigation in the objection), which is something the litigants did not request, and based on Paragraph (1/d)



of Article (200) of the Law of Sharia Procedures cited above, the Appeal Circuit concludes to accept the petition for reconsideration procedurally.

As to the merits, upon the Appeal Circuit 's review of the case files and examination of the documents contained therein, and after reviewing the memorandums and responses submitted by both parties, it became evident to the Appeal Circuit that the Appellant objects to the appealed decision due to the lack of clarity regarding the assessment basis in the assessment notice, and being deprived of discussing its details and providing an effective response. It also clarified that there is a discrepancy in the tax treatment between Withholding Tax and Value Added Tax, leading to an unfair assessment for some periods that are not subject to tax or subject to a lower rate, and that the Authority ignored its right to deduct the full input tax despite the conditions being met, demanding reciprocal treatment across all tax periods due to the identical nature of the facts and records.

Upon the Appeal Circuit's review of the reasoning of the petitioned decision, the petition brief, and the documents submitted by both parties in the case file, it is evident that the concept of the "Reverse Charge Mechanism" treats the taxpayer as both buyer and supplier simultaneously. Since the purchases are in most cases related to the activity, and in the event of no proven exempt sales, the declaration is made in the first column "Original Amount" next to the item, and the model available on the system will presume the existence of matching revenues and expenses of the "same" value; consequently, the result would be due tax amounting to zero Riyals in the Petitioner's case. However, the Respondent modified this in the "Adjustment" column, which resulted in disallowing the Petitioner from deducting any purchases under the Reverse Charge Mechanism, despite the "lack" of proven exempt sales for the Petitioner. The text of Paragraph (1) of Article (46) of the Unified Value Added Tax Agreement was not cited to justify this action. Furthermore, neither the assessment notice nor the tax return form reflected the existence of any exempt sales, whereas the existence of taxable sales—which generates the right to deduction—was proven.

Additionally, the "Tax assessment" did not clarify the reason for doing so, sufficing to state the reason as: "Adjusting taxable imports through the Reverse Charge Mechanism based on Article 47 Paragraph 1 of the Regulations and Article 41 of the Agreement." The "Objection Rejection Notice" clarified the reason as: "Based on Article 41 and Article 44 Paragraph 3 of the Unified Value Added Tax Agreement and Article 47 Paragraph 1 of the Implementing regulations of the Value Added Tax Law." These are provisions that are acceptable to rely upon if the adjustment was made by adding the disputed amount to the main column, since no exempt sales were proven on its part, which would result in due tax valued at zero Riyals. However, the amount was added in the adjustment column, resulting in depriving it of the tax deduction on all purchases, despite the lack of proven exempt sales and the proven existence of sales subject to the standard rate according to the tax return for the disputed period, making the basis for calculating the assessment unclear. This violates the text of Paragraph (2) of Article (64) of the Implementing regulations of the Value Added Tax Law.



As for the Respondent's defense that the reason for this traces back to the Petitioner not initially declaring them and therefore possessing no right to deduct, and that "it may deduct based on the assessment notice" related to the period as proof in subsequent periods, this is not admissible. The provisions relied upon in taking the disputed decision, according to the two aforementioned notices, is the text of Paragraph (1) of Article (47) of the Implementing regulations of the Value Added Tax Law, which clarifies the obligation to declare the due tax under the Reverse Charge Mechanism item in addition to any deductible input tax to the extent enabling it to "benefit" from deducting the VALUE ADDED TAX on inputs in the tax return for that period, and this is in the case of "declaration." The text did not exclude the case of disclosing the due tax through "assessment" nor did it stipulate that this would cause it to forfeit its right to deduct the related inputs. Furthermore, the Respondent's validation of the Petitioner's right to deduct those inputs in subsequent periods does not justify adding the amount in the adjustment column, which proves the invalidity of that defense.

Likewise, the text of Paragraph (3) of Article (44) of the Unified Value Added Tax Agreement clarifies the right of the person liable to pay under the Reverse Charge Mechanism to deduct deductible inputs, provided that they have disclosed the due tax, which is in the case of "declaration," and the text did not exclude the case of disclosing the tax through "assessment" nor stipulate that this would cause them to forfeit their right to deduct the related inputs. The Respondent's validation of the Petitioner's right to deduct those inputs in subsequent periods based on the assessment notice does not justify adding the amount to the adjustment column, which affirms the invalidity of that defense in proving the Petitioner's lack of right to deduct purchases related to the Reverse Charge Mechanism. Accordingly, the Appeal Circuit concludes to accept the appeal on the merits regarding the right to deduct the amount of SAR (5,084,634.71) Five Million Eighty-Four Thousand Six Hundred Thirty-Four Riyals and Seventy-One Halalas, annul the Resolution Circuit's decision, and annul the Respondent's decision.

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

Decision

First: Acceptance of the petition procedurally.

Second: Acceptance of the petition on the merits, and Annulment of the decision of the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes No. (VA-2024-192307).

Third: Acceptance of the appeal procedurally.

Fourth: Acceptance of the appeal on the merits regarding the right to deduct the amount of SAR (5,084,634.71) Five Million Eighty-Four Thousand Six Hundred Thirty-Four Riyals and Seventy-One Halalas, annulment of the Resolution Circuit's decision, and annulment of the Respondent's decision.



Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes

Decision No VA-2025-246267

Case No. V-2024-246267

Keywords:

Tax Refund – Real Estate Developer – Qualified Project – Off-Plan Sale – Rejection of the Appeal

Summary:

The Taxpayer's objection to the Resolution Circuit's decision which ruled to reject his lawsuit regarding the Value Added Tax refund claim for the fourth quarter of 2022. Whereas he argued that the refund requests relate to the infrastructure and superstructure costs of qualified real estate projects, and that the (...) project fulfills the requirements of real estate developers qualified for refund due to the existence of an off-plan sale license, a partnership agreement, and a real estate disposal in favor of the developer. And whereas the Circuit deemed that the resolution decision came in accordance with the provisions of the Law, and its grounds are sufficient to uphold its ruling, and nothing was submitted before it that would impact its result; the implication of this is: acceptance of the appeal procedurally and rejecting it on the merits.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445H.
- Article (30) of the Implementing Regulations of the Value Added Tax Law issued by the Board of Directors of the Zakat, Tax and Customs Authority Resolution No. (3839) dated 14/12/1438 AH.
- Clause (Sixth/C) of the Rules and Procedures for Licensed Real Estate Developers as Persons Qualified to Refund Value Added Tax issued by the Board of Directors of the Zakat, Tax and Customs Authority Resolution No. (15-4-22) dated 19/06/2022.

Parties Defenses:

Defenses of the Appellant (Taxpayer)

The Taxpayer argued that the refund request consists of the infrastructure cost represented in the land purchase value and the superstructure cost specific to the Appellant's areas, and that the (...) project is considered a qualified project for a refund as it meets the conditions for off-plan sales, and possesses a license,



a partnership agreement, and a real estate disposal in favor of the developer in accordance with the Rules and Procedures for Real Estate Developers.

The Committee's response to the defenses:



It became evident to the Appeal Circuit that the decision issued by the Resolution Circuit ruled to reject the Appellant's lawsuit regarding its claim for a Value Added Tax refund in the amount of SAR (43,590,244.60) for the fourth quarter of 2022. And whereas the Appellant objects to the Resolution Circuit's decision on the grounds that the refund requests consist of two parts: the infrastructure cost (land purchase value) and the superstructure cost (pertaining to the Appellant's areas). Based on the Rules and Procedures for Real Estate Developers, VALUE ADDED TAX incurred on qualified projects—defined as projects that will be supplied as an exempt supply pursuant to Article 30 of the Implementing regulations of the VALUE ADDED TAX Law—is refunded. The areas for which infrastructure was provided represent the land purchase cost that will be supplied as an exempt supply. Furthermore, there is another part, which is the superstructure cost, which can only be executed for the areas specific to the Appellant concerning the (...) City project.

Regarding the (...) project, it argued that the Appellee improperly expanded the project study by leaning toward exclusion based on the establishment of commercial entities, and did not study the project in accordance with the Rules and Procedures for Real Estate Developers Qualified for Refund. The Appellant argued that Clause Sixth (C) of the Rules and Procedures for Real Estate Developers and its application conditions apply to it: being a project allocated for off-plan sales projects, having an issued off-plan sale license, a partnership agreement between the owner and the real estate developer, and the execution of a real estate disposal in favor of the real estate developer in accordance with the Real Estate Transaction Tax Law and its Implementing regulations. It also noted the project is a joint development between it and Company (...), an off-plan sale license was issued, an agreement exists between the Appellant and the land owner, and the real estate disclosure was made based on Clause Sixth (C) of the Rules and Procedures for Real Estate Developers. Thus, Clause Sixth (C) of the Rules and Procedures applies to it as a project qualified for a refund.

Given that it is established that the appealed decision concerning the dispute under review was consistent with the provisions of the Law and with the sound reasons upon which it was based, which are sufficient to uphold its ruling—as the issuing Circuit scrutinized the core of the dispute and arrived at the conclusion stated in its operative part—and since the Appeal Circuit observed nothing therein warranting correction or commentary in light of the defenses raised before this Circuit, it concludes that such defenses have no impact on the outcome of the decision. Based on the foregoing, the Circuit concluded to report the rejection of the appeal and to uphold the Resolution Circuit's decision in what it concluded, supported by its grounds.

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



Decision

First: Acceptance of the appeal submitted by / (...) Real Estate Company, Closed Joint Stock Company, Commercial Registration No. (...), procedurally.

Second: Rejection of the appeal submitted by / (...) Real Estate Company, Closed Joint Stock Company, Commercial Registration No. (...), on the merits.



Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes

Decision No VA-2025-246746

Case No. V-2024-246746

Keywords:

Tax Refund – Non-Resident Company – Eligible Person – Statutory deadline – Rejection of the Appeal

Summary:

The appeal of a non-resident company against the Resolution Circuit's decision which ruled to reject its lawsuit regarding the Value Added Tax refund request for the year 2023. Whereas it argued that it registered as an eligible person for refund and submitted the request within the statutory deadline before June 30, 2024, except that the non-appearance of the icon on the Authority's website prevented it from submitting it electronically, so it submitted it via email. And whereas the Circuit deemed that the resolution decision came in accordance with the provisions of the Law, and its grounds are sufficient to uphold its ruling, and it did not find in the defenses anything that would impact the result; the implication of this is: acceptance of the appeal procedurally and rejecting it on the merits.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445H.
- Paragraph (1) of Article (71) of the Implementing Regulations of the Value Added Tax Law issued by the Board of Directors of the Zakat, Tax and Customs Authority Resolution No. (3839) dated 14/12/1438 AH.
- Paragraph (1) of Article (72) of the Implementing Regulations of the Value Added Tax Law issued by the Board of Directors of the Zakat, Tax and Customs Authority Resolution No. (3839) dated 14/12/1438 AH.

Parties Defenses:

Defenses of the Appellant (Taxpayer)

The Appellant argued that it complied with the statutory procedures and deadlines, and that the Authority's approval of its registration as an eligible person for refund proves its eligibility. It also argued that it submitted the refund request within the statutory deadline via email after being unable to submit it through the Authority's website due to the non-appearance of the icon.



The Committee's response to the defenses:



It became evident to the Appeal Circuit that the decision issued by the Resolution Circuit ruled to dismiss the Appellant's lawsuit regarding the Value Added Tax refund request for the year 2023. And whereas the Appellant objects to the Resolution Circuit's decision because it complied with all the statutory procedures and deadlines stipulated in the Regulations, as the approval to register the company as an eligible person for refund was granted on 03/06/2024 AD. Consequently, this approval came to confirm the eligibility for refund in accordance with Paragraph (1) of Article (71) of the Implementing Regulations of the Value Added Tax Law. Then, the company submitted the refund request for the year (2023 AD) within the statutory deadline before the date of 30/06/2024 AD on the Authority's website, and was unable to submit the request due to the non-appearance of the icon. Therefore, the company submitted the request via email on 27/06/2024 AD, meaning within the statutory deadline. And based on Paragraph (1) of Article (72) of the Regulations, a person's eligibility for refund precedes applying with a request to the Authority in this regard; consequently, this article did not link the date of applying with the request and the tax period for which the eligible person has the right to refund the tax.

And since it is established that the appealed decision regarding the dispute under consideration came in accordance with the provisions of the Law, and with the sound grounds upon which it was based and which are sufficient to uphold its ruling. As the Circuit that issued it undertook the scrutiny of the core of the dispute therein and concluded in its regard to the result it reached in its operative part. And whereas the Appeal Circuit did not notice anything regarding it necessitating correction or commentary in light of the submitted defenses raised before this Circuit, a matter with which it concludes to declare their lack of impact on the decision's result. Based on the foregoing, the Circuit concluded to decide the rejection of the appeal and the upholding of the Resolution Circuit's decision in what it concluded, supported by its grounds.

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

Decision

First: Acceptance of the appeal submitted by / (...), Commercial License No. (...) procedurally.

Second: Rejection of the appeal submitted by / (...), Commercial License No. (...) on the merits.



Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes

Decision No VA-2025-247525

Case No. V-2025-247525

Keywords:

Tax Refund – Real Estate Developer – Actual Partnership – Off-Plan Sale – Acceptance of the Appeal

Summary:

The Taxpayer's objection to the Resolution Circuit's decision which ruled to reject its lawsuit regarding the partial acceptance of a tax refund for the fourth quarter of 2022. The taxpayer argued that off-plan sale licenses are only granted after a partnership agreement exists between the developer and the owner, and that the Authority does not possess the power to invalidate contracts or diminish the effect of licenses issued by the competent authority. As it was established to the Circuit from the approved sale contracts and the letter from the Real Estate General Authority that the projects (... , ... , and ...) obtained the licenses after completing the development and partnership agreements, the outcome is the acceptance of the appeal and the refund of the disputed amount.

Document



- Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445H.
- Article (6) of the Law of Selling and Leasing Off-Plan Real Estate Projects issued by Royal Decree No. (M/44) dated 10/03/1445 AH.
- Article (19) of the Implementing regulations of the Law of Selling and Leasing Off-Plan Real Estate Projects issued by the Board of Directors of the Real Estate General Authority Resolution No. (Q/M/E/H/8/2024/T) dated 20/10/1445 AH.
- Paragraph (C) of Clause (Sixth) of the Rules and Procedures for Licensed Real Estate Developers as Eligible Persons for Value Added Tax Refund issued by the Board of Directors of the Zakat, Tax and Customs Authority Resolution No. (15-4-22) dated 19/06/2022.



Parties Defenses:

Defenses of the Appellant (Taxpayer)

The Appellant argued that the existence of a partnership agreement between the developer and the land owner is a fundamental condition for issuing off-plan sale licenses, and that obtaining the license proves the fulfillment of statutory requirements. It further argued that the Authority lacks the power to invalidate contracts or deny the effect of licenses issued by the Real Estate General Authority and the competent government entities.

The Committee's response to the defenses:

It became evident to the Appeal Circuit that the decision issued by the Resolution Circuit ruled to reject the Appellant's lawsuit concerning its objection to the Appellee's decision of the partial acceptance of the tax refund for the fourth quarter of 2022. The Appellant objects to the Resolution Circuit's decision on the grounds that a fundamental condition for issuing the license is the existence of a partnership agreement between the developer and the owner, as stipulated in Article (6) of the Law of Selling and Leasing Off-Plan Real Estate Projects. Similarly, Article (19) of the Implementing regulations of the Law of Selling and Leasing Off-Plan Real Estate Projects requires the existence of a partnership agreement between the developer and the title deed owner. Since the Appellant was granted the license as a result of fulfilling the statutory requirements, which fall under the jurisdiction of the Real Estate General Authority, the Appellee has no authority to declare such contracts invalid. Furthermore, the substance of these projects, based on the laws issued by the Real Estate General Authority and the Ministry of Housing, represents a partnership, and the Appellee lacks the authority to diminish, invalidate, or weaken laws issued by other government entities.

Upon the Appeal Circuit's review of the case documents, it was established that the basis for the Appellee's decision for the partial rejection of the disputed amounts under the "Notification of Cancellation of the Review Request" is as follows: "Based on Clause Sixth of the Rules and Procedures for Licensed Real Estate Developers as Eligible Persons for Value Added Tax Refund." Regarding the Resolution Circuit's indication that the taxpayer failed to submit a set of documents, reference to the case file reveals that the Appellant did submit the financial statements and a sample of purchase invoices along with proof of payment documents. Notably, the Authority's rejection decision was founded on the text of Paragraph (6/C) of the Rules and Procedures for Licensed Real Estate Developers as Eligible Persons for Value Added Tax Refund, based on the wording of the contracts, which, according to the Appellee's defense, allegedly proved they did not represent a partnership. However, this does not constitute sufficient evidence that the contracts failed to meet the statutory conditions. The Appellant submitted the sale contract approved by the Off-Plan Sales or Leasing Circuit for the disputed projects, as well as a letter issued by the Real Estate General Authority concerning



these projects. Although it became evident to the Resolution Circuit that the letter was issued on the date of the audit, a review of the letter issued by the Real Estate General Authority regarding the disputed projects established as follows:

- That the (...) project obtained the off-plan sale license on 10/10/2018 "after" the real estate developer, Company (...), completed the statutory requirements, including the development agreement concluded between the real estate developer and the land owner in partnership between the two parties, granting the real estate developer the right to sell and sign contracts with buyers on behalf of the owner, based on the sale contract approved by the Off-Plan Sales or Leasing Circuit.
- That the (...) project obtained the off-plan sale license on 30/07/2018, "after" the real estate developer, Company (...), completed the statutory requirements, including the development agreement concluded between the real estate developer and the land owner in partnership between the two parties, granting the real estate developer the right to sell and sign contracts with buyers on behalf of the owner, based on the sale contract approved by the Off-Plan Sales or Leasing Circuit.
- That the (...) project obtained the off-plan sale license on 07/09/2022, "after" the real estate developer, Company (...), completed the statutory requirements, including the development agreement concluded between the real estate developer and the land owner in partnership between the two parties, granting the real estate developer the right to sell and sign contracts with buyers on behalf of the owner, based on the sale contract approved by the Off-Plan Sales or Leasing Circuit.

Based on the aforementioned statement, through which the Real Estate General Authority acknowledges that the Appellant obtained the off-plan sale license on a date "prior" to the period in dispute, and that its acquisition thereof occurred after the Appellant's completion of the statutory requirements—which include the existence of a development agreement concluded between the real estate developer and the land owner "in partnership" between the two parties—this serves as evidence of an actual partnership. Consequently, the Appellant is entitled to the refund based on the text of Paragraph (C) of Clause (Sixth) of the Rules and Procedures for Licensed Real Estate Developers as Eligible Persons for Value Added Tax Refund. Therefore, there is no merit to referencing the issuance date of the Real Estate General Authority's letter during the audit period, because the content of the letter clarifies that the partnership is a requirement for obtaining the license, which the Appellant proved it acquired before the disputed period. Accordingly, the Appeal Circuit concludes to accept the appeal concerning the VALUE ADDED TAX refund in the amount of (18,511,098.26) Eighteen Million Five Hundred Eleven Thousand Ninety-Eight Riyals and Twenty-Six Halalas.

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



Decision

First: Acceptance of the appeal submitted by / Company (...), Commercial Registration No. (...) procedurally.

Second: Acceptance of the appeal submitted by / Company (...), Commercial Registration No. (...), regarding the Value Added Tax refund in the amount of (18,511,098.26) Eighteen Million Five Hundred Eleven Thousand Ninety-Eight Riyals and Twenty-Six Halalas, annulment of the decision of the First Circuit for the Resolution of Value Added Tax Violations and Disputes in Dammam City No. (VD-2024-242428), and annulment of the Appellee's decision.



Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes

Decision No VA-2025-247878

Case No. V-2025-247878

Keywords:

Tax Refund – Real Estate Developer – Technical Glitch – Lawsuit Documents – Remanding the lawsuit

Summary:

The Taxpayer's objection to the Resolution Circuit's decision which ruled to reject his lawsuit regarding the refund request for the period from January 1, 2022 to December 31, 2022. Whereas he argued that he submitted all the required documents and that their non-appearance in the system was due to a technical glitch, and that the real estate disposal condition was fulfilled subsequently based on the final judgment of possession. And whereas it was proven to the Circuit that the Taxpayer exercised due diligence and submitted the documents via the CRM system prior to the resolution hearing, and that the issue relating to the non-appearance of the documents was not addressed; the implication of this is: acceptance of the appeal, annulling the resolution decision, and remanding the lawsuit to another resolution circuit.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445H.
- Resolution of the Board of Directors of the Zakat, Tax and Customs Authority No. (15-04-22) dated 19/06/2022, containing the Rules and Procedures for Licensed Real Estate Developers as Eligible Persons for Value Added Tax Refund.

Parties Defenses:

Defenses of the Appellant (Taxpayer)

The Appellant argued that it submitted all the documents required for the refund, and that their non-appearance before the Resolution Circuit was due to a technical glitch. It also argued that all refund conditions were met except for the real estate disposal condition, which was subsequently fulfilled based on the final judgment granting possession to the real estate developer, maintaining its proven right to the refund in accordance with the Rules and Procedures for Real Estate Developers.



The Committee's response to the defenses:



It became evident to the Appeal Circuit that the decision issued by the Resolution Circuit ruled to reject the Appellant's lawsuit concerning the refund request for the period from January 1, 2022 to December 31, 2022. The Appellant objects to the Resolution Circuit's decision on the grounds that it had submitted all the required documents, which did not appear in the system at the Circuit that issued the appealed decision. The Appellant indicated that all conditions for the refund were met except for the real estate disposal condition, and that this condition was subsequently fulfilled by the Zakat, Tax and Customs Authority based on the final judgment granting possession to the real estate developer, emphasizing its proven right to the refund based on the rules and procedures contained in the Zakat, Tax and Customs Authority's Board of Directors Resolution No. (22-04-15) dated 19 June 2022.

Upon the Appeal Circuit 's review of the case documents, it is established that the appealed Resolution Circuit's decision concluded to reject the lawsuit due to the insufficiency of the submitted documents, as the Appellant allegedly failed to submit the required documents on 29 December 2024 via the system, which are as follows:

- 1- Real estate development license for the Plaintiff.
- 2- Real estate developer license for off-plan sale or leasing.
- 3- Proof that the real estate subject to the refund request is designated for one of the off-plan sale or leasing projects.
- 4- Proof of the issuance of a decision by the Off-Plan Sales and Leasing Circuit licensing one of the off-plan sale projects.
- 5- The partnership agreement between the developer and the person who owns the real estate.
- 6- Proof of disclosure of the real estate disposal for the real estate subject to the refund in favor of the real estate developer eligible for the refund - pursuant to the partnership agreement.

Since the Appellant pleads the existence of a technical glitch that prevented it from submitting the required documents, arguing that the only document that appeared was the one related to real estate disposals; and since it was established to the Appeal Circuit that the Appellant exercised due care in submitting the required documents to the Resolution Circuit by submitting them through the (CRM) system under Ticket No. (....-GSTC) dated 01/01/2025 and Ticket No. (....-GSTC) dated 07/01/2025; and since it is established that the Resolution Circuit hearing was held on 12/01/2025; and since it was proven that the issue regarding the non-appearance of the documents submitted by the Appellant was not resolved by the General Secretariat of the Zakat, Tax and Customs Committees during the resolution phase. Based on the foregoing, the Appeal Circuit concludes to the operative part set forth below.



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

Decision

First: Acceptance of the appeal submitted by / Company (...), Commercial Registration No. (...) procedurally.

Second: Acceptance of the appeal submitted by / Company (...), Commercial Registration No. (...) on the merits, annulment of the decision of the First Circuit for the Resolution of Value Added Tax Violations and Disputes in Riyadh City No. (VR-2025-246259), and remanding the lawsuit to another Resolution Circuit for consideration according to what is explained in the grounds.



Penalties



Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes

Decision No VA-2025-247593

Case No. V-2025-247593

Keywords:

Penalties— Evasion Penalty — Assessment Notices — Burden of Proof — Partial Acceptance

Summary:

The Taxpayer's objection to the Resolution Circuit's decision which ruled not to accept his lawsuit regarding the tax evasion penalties and the late payment penalty for multiple periods during the years 2018, 2019, and 2020. Whereas he argued the non-immunization of the Authority's decisions, the lack of verification of the penalty notices and the basis of their calculation, and the invalidity of characterizing the event as tax evasion. And whereas the Circuit requested the Authority to submit the penalty decisions, proof of notification, and the basis of calculation for each period, yet it did not submit the assessment notices for the period of April 2018, nor the late payment penalty decisions. It was also proven to it the occurrence of the evasion violation for the remaining periods, with the lack of proof of publishing the violations classification table; the implication of this is: partially accepting the appeal, annulling the evasion penalty for the period of April 2018, annulling the late payment penalty, and amending the evasion penalty for the remaining periods to its minimum limit.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445H.
- Articles (40) and (48) of the Value Added Tax Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH.

Parties Defenses:

Defenses of the Appellant (Taxpayer)

The Taxpayer argued that the Authority's decisions should not be considered final and unappealable due to a lack of verification of notification and a failure to clarify the statutory basis for calculating the penalty. It also pleaded the incorrect characterization of the lawsuit as tax evasion merely due to an error in the return resulting in due tax differences, maintaining that the elements of the crime of tax evasion were not fulfilled.



The Committee's response to the defenses:



It became evident to the Appeal Circuit that the decision issued by the Resolution Circuit ruled not to accept the Appellant's lawsuit concerning its objection to the Authority's decision imposing tax evasion penalties and late payment penalties resulting from the tax returns for the months (April, July, November) of 2018, the months (January, February, March, April, May, June, July, August, September, October, November, December) of 2019, and the month (February) of 2020. The Appellant objects to the Resolution Circuit's decision due to an error in considering the Authority's decision final and unappealable, the lack of verification of the notification, and the failure to clarify the statutory basis for calculating the penalty. The Appellant also indicated the incorrect characterization of the lawsuit by the Circuit, as the Circuit relied on the existence of an error in the return that resulted in due tax differences, in addition to the Circuit's failure to verify the fulfillment of the elements of the crime of tax evasion.

Upon the Appeal Circuit 's review of the case documents, the following was established:

First: Regarding the tax evasion penalty for the tax period (April) of 2018: The Circuit requested the Authority in the hearing held on 11/08/2025 to: submit the decisions issued by the Authority and objected to by the Appellant regarding both the tax evasion penalty and the late payment penalty for each tax period separately if such decisions were separate; provide evidence that it notified the Appellant of its decisions related to imposing the tax evasion penalty and the late payment penalty; provide evidence of a basis for calculating the tax evasion penalty and a basis for calculating the late payment penalty in all the decisions it issued pertaining to this lawsuit; and submit the decision specific to each tax period separately if such decisions were separate. However, the Authority did not submit the assessment notices related to the disputed period, which serve as the basis for calculating the tax evasion penalty. Consequently, the Circuit concludes to annul the Authority's decision to impose the tax evasion penalty concerning the tax period (April) of 2018.

Second: Regarding the tax evasion penalty for the tax periods (July, November) of 2018, 2019, and the month (February) of 2020: Whereas the Appellant demands the annulment of the Appellee's decision related to imposing the tax evasion penalty, and since it was established that the case files demonstrated the occurrence of the tax evasion violation against the Appellant, this Circuit concludes to reject this request. Furthermore, since it is established that the imposition of the penalty is in accordance with the Schedule of Violations Classification referred to in Article (48) of the Value Added Tax Law, which states: "1- The Authority shall impose the penalties stipulated in the Law in accordance with a classification of violations and determination of penalties to be issued by a resolution of the Board of Directors. 2- The imposition of the penalty shall be by a decision of the Governor of the Authority, or whomever the Board of Directors delegates to do so. 3- The decision issued with the penalty may include a provision to publish its operative part at the expense of the violator in a domestic newspaper published in their place of residence, or if there is no newspaper in their



location, in the nearest region to them, or to publish it in any other appropriate medium, depending on the type of violation committed, its gravity, and its effects, after the decision becomes final." Since the classification stipulated in Paragraph (1) of Article (48) of the Value Added Tax Law has a regulatory nature and contains abstract fundamental principles applicable to all individuals meeting the conditions set forth in the resolution, and impacts their legal positions, the Law requires the announcement and publication of such resolutions to the public, and the burden of proving this falls on the Administration. This is consistent with established judicial principles. Since the publication of that resolution was not proven, the application of the text of Article (40) of the Value Added Tax Law shall be by imposing the tax evasion penalty at its minimum limit, which is the value of the due tax. Accordingly, the Appeal Circuit concludes to uphold the Resolution Circuit's decision while imposing the penalty value at its minimum limit, amounting to (5,684,034.96) Riyals.

Third: Regarding the late payment penalty: The Circuit requested the Authority in the hearing held on 11/08/2025 to submit the decisions it issued, to which the Appellant objects, concerning the late payment penalty for each tax period separately, if such decisions were separate. However, the Authority failed to submit those decisions despite being granted sufficient time. It also submitted invoices related to tax periods falling outside the tax periods related to this lawsuit. Consequently, the Appeal Circuit concludes to annul the late payment penalty.

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

Decision

First: Acceptance of the appeal procedurally.

Second: On the merits:

- 1- Acceptance of the appeal, annulment of the decision of the First Circuit for the Resolution of Value Added Tax Violations and Disputes in Riyadh City, and annulment of the decision of the Zakat, Tax and Customs Authority regarding the tax evasion penalty for the tax period (April) of 2018.
- 2- Rejection of the appeal and affirmation of the decision of First Circuit for the Resolution of Value Added Tax Violations and Disputes in Riyadh City regarding the tax evasion penalty for the tax periods (July, November) of 2018, the year 2019, and the month (February) of 2020, with amending the penalty value to its minimum limit, amounting to (5,684,034.96) Five Million Six Hundred Eighty-Four Thousand Thirty-Four Riyals and Ninety-Six Halalas.
- 3- Acceptance of the appeal, annulment of the decision of the First Circuit for the Resolution of Value Added Tax Violations and Disputes in Riyadh City, and annulment of the decision of the Zakat, Tax and Customs Authority regarding the late payment penalty for the disputed tax periods.



Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes

Decision No VA-2025-264935

Case No. VT-2025-264935

Keywords:

Penalties – Evasion Penalty – Criminal Intent – Publication of the Resolution – Amendment of the Penalty

Summary:

The Taxpayer's objection to the Resolution Circuit's decision which ruled to reject its lawsuit regarding the tax evasion penalty for the first quarter of 2020. The Taxpayer argued the absence of criminal intent and the non-fulfillment of the elements of the tax evasion offense, and that the incident resulted from incorrect guidance by (...) office, which misled it into believing it was entitled to refund amounts, alongside the issuance of a legal deed convicting the responsible employee. As the Circuit deemed that the Authority imposed the penalty based on a Board of Directors' resolution of a regulatory nature that includes internal criteria for determining the penalty amount, and that this type of resolution must be published to the public, and its publication was not proven; this entails Acceptance of the appeal procedurally and rejecting it on the merits, while amending the tax evasion penalty to its minimum limit.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445H.
- Value Added Tax Law issued by Royal Decree No. (M/113) dated 02/11/1438 AH.
- Board of Directors of the Zakat, Tax and Customs Authority Resolution No. (7-3-2017) dated 12/03/1439 AH.

Parties Defenses:

Defenses of the Appellant (Taxpayer)

The Taxpayer argued the absence of criminal intent and the non-fulfillment of the elements of the tax evasion offense. It also argued that the refund requests subject of the penalty resulted from incorrect guidance by (...) office, which misled it into believing it was entitled to refund amounts, and that the responsible employee



was convicted pursuant to a legal deed. It maintained that its disposal of the amounts was to verify the soundness of its legal position, which indicates precaution rather than an intent to evade.

The Committee's response to the defenses:



It became evident to the Appeal Circuit that the decision issued by the Resolution Circuit ruled to reject the lawsuit regarding the objection to the tax evasion penalty. Whereas the Appellant objects to the Resolution Circuit's decision on the grounds of the absence of criminal intent (absence of intent to evade) due to the non-fulfillment of the elements of the tax evasion offense in accordance with Article (39) of the Value Added Tax Law, which requires the availability of criminal intent. The Appellant indicated that what occurred was the result of incorrect guidance from (...) office, which deceived it and misled it into believing it was entitled to refund amounts, and indeed the responsible employee (...) was convicted pursuant to a legal deed. The Appellant also argued that it disposed of the refunded amounts to verify the soundness of the legal position, indicating precaution and caution rather than evasion.

Upon the Appeal circuit's review of the lawsuit documents, and whereas it is established that the Authority imposed the penalty based on the Board of Directors of the Zakat, Tax and Customs Authority Resolution No. (7-3-2017) dated 12/03/1439 AH approving the internal criteria for determining the value of the financial penalty for the tax evasion violation under the Value Added Tax Law. Given that the aforementioned Authority's Board of Directors resolution was issued pursuant to Article (48) of the Value Added Tax Law, which stipulates that: "The Authority shall impose the penalties provided for in the Law in accordance with a classification of violations and determination of penalties issued by a resolution of the Board of Directors, taking into account the proportionality between the violation and the penalty," this resolution is considered a regulatory resolution issued pursuant to the Value Added Tax Law. As this type of resolution has a regulatory nature containing abstract fundamental principles applicable to all individuals meeting the conditions, and affects their legal positions, it requires the announcement and publication of such resolutions to the public, and the burden of proving such falls upon the administration, which aligns with established judicial principles. As the publication of that resolution was not proven, the application of Article (40) of the Value Added Tax Law, which states: "Tax evasion shall be penalized with a penalty of not less than the amount of the due tax, and not exceeding three times the value of the goods or services subject to evasion," shall be by imposing the tax evasion penalty at its minimum limit, which is the value of the due tax. Therefore, the Appeal circuit concludes to reject the appeal while modifying the tax evasion penalty amount by imposing it at its minimum limit, an amount of (137,203.55) One Hundred Thirty-Seven Thousand Two Hundred Three Riyals and Fifty-Five Halalas.

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



Decision

First: Acceptance of the appeal procedurally.

Second: Rejection of the appeal on the merits, and affirmation of the decision of the First Circuit for the Resolution of Value Added Tax Violations and Disputes in Jeddah Governorate regarding the tax evasion penalty for the tax period of the first quarter of 2020, while amending the penalty value to its minimum limit, an amount of (137,203.55) One Hundred Thirty-Seven Thousand Two Hundred Three Riyals and Fifty-Five Halalas.



Procedural Decisions



Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes

Decision No VA-2025-232770

Case No. V-2024-232770

Keywords:

Value Added Tax – Capacity in the Lawsuit – Fund Manager – Real Estate Fund – Remanding the lawsuit

Summary:

The Taxpayer's objection to the Resolution Circuit's decision which ruled not to accept the lawsuit procedurally for being filed against a party lacking capacity. Whereas it argued that the lawsuit was filed against Company (...) in its capacity as the manager of the (...) Fund, and that the Fund does not possess an independent legal personality and does not act except through its manager. It also argued that the Real Estate Company (...) is a special purpose entity for the safekeeping of the Fund's assets and has no relation to the dispute. And whereas it was proven to the Circuit from the Real Estate Investment Funds Regulations, the brokerage agreement, and the Fund's Articles of Association that Company (...) is the fund manager and represents it before the judicial authorities; the implication of this is: acceptance of the appeal, annulling the resolution decision, and remanding the lawsuit to be considered.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445H.
- Articles (9) and (13) of the Real Estate Investment Funds Regulations issued by the Board of the Capital Market Authority pursuant to Resolution No. 1-193-2006 dated 19/06/1427 AH, corresponding to 15/07/2006 AD.

Parties Defenses:

Defenses of the Appellant (Taxpayer)

The Appellant argued that Company (...) is the manager of the (...) Real Estate Fund, and that the Fund does not possess an independent legal personality or a commercial register, but rather acts through its manager. It also argued that the brokerage agreement and the Fund's Articles of Association prove the capacity of



Company (...) in representing the Fund before the judicial authorities, and that the Real Estate Company (...) is a special purpose entity for the safekeeping of assets and is not the correct adversary in the lawsuit.

The Committee's response to the defenses:



It became evident to the Appeal Circuit that the decision issued by the Resolution Circuit ruled not to accept the lawsuit procedurally for being filed against a party lacking capacity. And whereas the Appellant objects to the Resolution Circuit's decision because the lawsuit is filed against Company (...) in its capacity as the manager of the (...) Real Estate Fund, and the implication of the appealed decision is that Company (...) is not the manager of the (...) Real Estate Fund, and that is incorrect, as the Appellee acknowledges being the manager of the Fund. In addition, the correct course is for the lawsuit to be directed against the fund manager, Company (...), and not against the Fund directly because the Fund has no legal personality or commercial register and does not act except through its manager. For this reason, the manager represented the Fund in the brokerage agreement and on its official papers, and the Real Estate Company (...), holding Commercial Register (...), has no relation to the lawsuit, due to the independence of its financial liability outside the subject of the dispute. Furthermore, the lawsuit cannot be directed against it because it is a special purpose entity whose task is limited to the safekeeping of the Fund's assets in accordance with the regulations of the Capital Market Authority and the terms and conditions of the Fund, and it was established by the Fund's custodian to safeguard its assets on behalf of the Fund.

By the Appeal Circuit's review of the Real Estate Investment Funds Regulations, which defined in Article (9) thereof the legal basis for managing the fund, which stipulated: "A contractual relationship shall be established between the fund manager and the unitholders by virtue of signing the terms and conditions of the fund licensed by the Authority in accordance with the provisions of these Regulations." And whereas Article (13) of the same Regulations stipulated regarding the fund management: "A - The fund manager must act for the benefit of the unitholders in accordance with the provisions of these Regulations, the Capital Market Institutions Regulations, and the terms and conditions of the fund. B - The fund manager shall bear the obligation to comply with all principles and duties stipulated in the Capital Market Institutions Regulations, including the fiduciary duty towards the unitholders, which includes acting in a manner that achieves their interests and exercising reasonable care. E - Obligations of the fund manager: 7- Managing the fund's assets in a manner that achieves the interest of the unitholders in accordance with the terms and conditions of the fund. 8- Ensuring the legality and soundness of the contracts concluded for the benefit of the fund."

And after referring back to the brokerage agreement, the definition of the First Party was proven as follows: "The First Party is the (...) Real Estate Fund, which is a special purpose entity... and is represented in signing this agreement by Mr. / (...) in his capacity as the Chief Executive Officer of the fund manager, Company...".



And Article (3) of the brokerage agreement stipulated: Obligations of the First Party: "The First Party commits to paying the specified brokerage commission equivalent to a total percentage of two and a half percent (2.5%) of the total value of acquiring the real estate, excluding any taxes or fees, to the Second Party, the Third Party, and the Fourth Party, divided equally, in exchange for them performing their duties and completing their works stipulated in Article Two". Also, it was stipulated in the preamble of the agreement the descriptions of the real estate intended to be purchased, and accordingly, the responsibility of the fund manager in managing the fund.

And based on the texts mentioned above, and whereas the contract is the law of the contracting parties, the capacity has been proven to be established for (Company..., Commercial Register No....) and that is pursuant to the Articles of Association which stipulated that the fund manager is Company (...), and that among its tasks is the statutory representation before the judicial authorities in accordance with Paragraph (1-1-7) of the Fund's Articles of Association: "Representing the entity before the Capital Market Authority, notaries public, judicial authorities, governmental and private entities, and third parties". A matter with which the Appeal Circuit concludes to accept the submitted appeal.

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

Decision

First: Acceptance of the appeal submitted by / (...) Company, commercial registration No. (...), procedurally.

Second: Acceptance of the appeal submitted by / (...) Company, commercial registration No. (...), on the merits, Annulment of the decision of the First Circuit for the Resolution of Value Added Tax Violations and Disputes in Jeddah Governorate No. (VJ-2024-205383), and remanding it to the Circuit for consideration according to what is explained in the grounds.



Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes

Decision No VA-2025-244646

Case No. V-2024-244646

Keywords:

Value Added Tax – Petition for Reconsideration – Capacity – Financial Reorganization – Liquidation

Summary:

A Petition for Reconsideration submitted by (...) Company against the Appeal Circuit's decision annulling the Resolution Circuit's decision and ruling not to accept the lawsuit as it was submitted by a party lacking capacity. The Petitioner argued that the decision erred in applying liquidation provisions even though the lawsuit was registered during the Financial Reorganization procedure. As the Circuit established that the article related to liquidation does not apply to the lawsuit because the initiation of liquidation procedures occurred subsequent to its registration, and that Financial Reorganization does not suspend the debtor's hand from management unless proven otherwise. It also deemed that the forced sale of goods in execution of a judicial judgment is considered a taxable supply. This entails accepting the petition, annulling the previous decision, accepting the Authority's appeal, and affirming its decision.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445H.
- Articles (200) and (201) of the Law of Sharia Procedures issued by Royal Decree No. (M/1) dated 22/01/1435 AH.
- Articles (69) and (100) of the Bankruptcy Law issued by Royal Decree No. (M/50) dated 28/05/1439 AH.
- Article (67) of the Income Tax Law issued by Royal Decree No. (M/1) dated 15/01/1425 AH and amended by Royal Decree No. (M/113) dated 02/11/1438 AH.
- Paragraph (2/C) of Article (5) of the Unified Value Added Tax Agreement for the Cooperation Council for the Arab States of the Gulf issued by Royal Decree No. (M/51) dated 03/05/1438 AH.



Parties Defenses:

Defenses of the Appellant (Taxpayer)

The Petitioner argued that the decision subject of the petition applied the article relating to liquidation even though the lawsuit was filed during the financial restructuring procedure by the company's legal representative. It also argued that the subsequent opening of the liquidation made the Trustee the one responsible for following up on the lawsuit and does not negate the validity of its initial filing.

The Committee's response to the defenses:

Upon the Circuit's contemplation of the submitted petition and the grounds it contained; and since the general principle in judicial rulings, once they become final, is the inadmissibility of reconsidering them except in the cases stipulated in Article (200) of the Law of Civil Procedure issued by Royal Decree No. (M/1) dated 22/01/1435 AH, which stipulated that: "1- Any of the litigants has the right to petition for reconsideration of final judgments in the following cases: a- If the judgment was based on papers that were proven forged after the judgment, or based on a testimony ruled - by the competent authority after the judgment - as perjury. b- If the petitioner obtains, after the judgment, conclusive papers in the lawsuit that he was unable to present before the judgment. c- If fraud occurred by the litigant that would impact the judgment. d- If the judgment ruled on something not requested by the litigants or ruled for more than what they requested. e- If the operative part of the judgment contradicts itself. f- If the judgment was in absentia. g- If the judgment was issued against someone who was not properly represented in the lawsuit. 2- Whoever the judgment is deemed an argument against, and had not been joined or intervened in the lawsuit, has the right to petition for reconsideration of final judgments." And that this must be within the specified statutory period in Article (201), which is (30) days from the date of knowing the justifications relied upon in the petition submitted before the Circuit. And whereas the Circuit concluded in its decision subject of the petition to annul the decision of the First Circuit for the Resolution of Value Added Tax Violations and Disputes in the city of Dammam No. (VD-2023-97991), and to rule not to accept the lawsuit for being filed by a party lacking capacity; and since it is established that the issuance of the appellate decision subject of the petition was on 30/09/2024 AD, and the Petitioner applied with the petition request on 30/10/2024 AD, the petition is accepted procedurally.

Regarding the merits, the decision subject of the petition had concluded to annul the decision of the First Circuit for the Resolution of Value Added Tax Violations and Disputes in the city of Dammam based on Article (100) of the Bankruptcy Law, as the decision relating to the financial restructuring of the company was issued on 18/02/2019 AD, which is a date prior to the date of filing the lawsuit. And whereas Article (69) of the Bankruptcy Law stipulated: "1- Without prejudice to the powers and tasks of the trustee, the debtor shall



continue managing its business and activity during the financial restructuring procedure period under the supervision of the trustee. 2- If the debtor or one of the officials in its management commits during the procedure period an action that involves negligence, mismanagement, or non-cooperation with the trustee, or commits any of the criminalized acts in the Law; the trustee may request the court to divest the debtor of management". And whereas it was proven to the Circuit the invalidity of its reliance in the decision subject of the petition on Article (100) of the Bankruptcy Law issued by Royal Decree No. (M/50) dated 28/05/1439 AH; this is because the referred statutory text relates to liquidation procedures and not to the company's financial restructuring procedures, and the Petitioner had filed the initial resolution lawsuit No. (V-31375-2020) on 09/12/2020 AD, while the judgment opening the liquidation procedures was issued on 29/07/1443 AH corresponding to 02/03/2022 AD; meaning after the Petitioner filed its lawsuit with the resolution committees. And since the financial restructuring procedures do not result in the nullification of the debtor's actions after the appointment of the trustee, consequently, divesting the company of management during the period of filing the lawsuit was not proven. Therefore, the company's representation in filing the resolution lawsuit registered under No. (31375-2020-V) is valid, as the appointment of the bankruptcy trustee was on the date of 02/03/2022 AD, and the representative of the Appellee in the resolution lawsuit is the agent of the bankruptcy trustee. Accordingly, the capacity has been established for the Appellee in this lawsuit, a matter with which the Circuit concludes to accept the petition on the merits and overturn Decision No. (VA-2024-225286).

As regarding the subject of the appeal, it is established that the tax imposed by the Authority was the result of a forced sale of goods belonging to the Appellee in execution of a court judgment. This falls under Paragraph (2/C) of Article (5) relating to (Supply of Goods) of the Unified Value Added Tax Agreement for the Cooperation Council for the Arab States of the Gulf, which stipulated that: "2- The supply of goods includes the following transactions: ... C- The transfer of ownership of goods for a consideration forcibly pursuant to a decision issued by the public authorities or by any law in force." And since it is established that the dispute is represented in the collection of tax amounts resulting from the forced sale of goods, the jurisdiction belongs to the tax committees in accordance with the text of Article (67) of the Income Tax Law amended by Royal Decree No. (M/113) dated 02/11/1438 AH, a matter with which this Circuit concludes to accept the appeal on the merits.

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



Decision

First: Acceptance of the Petition for Reconsideration procedurally.

Second: Acceptance of the Petition for Reconsideration on the merits and overturning the decision of the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes No. (VA-2024-225286).

Third: Acceptance of the appeal submitted by / Zakat, Tax and Customs Authority, procedurally.

Fourth: Acceptance of the appeal submitted by the Zakat, Tax and Customs Authority on the merits, Annulment of the decision of the First Circuit for the Resolution of Value Added Tax Violations and Disputes in Dammam City No. (VD-2023-97991), and ruling to uphold the decision of the Zakat, Tax and Customs Authority.



Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes

Decision No VA-2025-131

Case No. V-2024-246108

Keywords:

Value Added Tax – Technical Glitch – Expiry of the Statutory Period – Lawsuit Registration – Remanding the lawsuit

Summary:

The objection of Company (...) for Trading to the Resolution Circuit's decision which ruled not to accept the lawsuit procedurally due to the lapse of the statutory period. Whereas it argued that it was unable to file the lawsuit within the deadline due to a technical glitch in the General Secretariat's platform, and that it initiated the submission procedures and corresponded with the Secretariat before the expiration of the period. And whereas it was proven to the Circuit from the screenshot and correspondences the impossibility of completing the filing due to a technical glitch, and the absence of negligence on the part of the Appellant; the implication of this is: acceptance of the appeal, annulling the resolution decision, and remanding the lawsuit to be considered on the merits.

Document

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

Parties Defenses:

Defenses of the Appellant (Taxpayer)

The Appellant argued that it submitted evidence proving the existence of a technical glitch on the General Secretariat's website that prevented it from registering the lawsuit during the statutory period, and that it initiated the submission procedures and corresponded with the Secretariat before the expiry of the grace period.



The Committee's response to the defenses:



It became evident to the Appeal Circuit that the appealed decision issued by the Resolution Circuit concluded not to accept the lawsuit procedurally due to the expiry of the statutory period, based on Article (6) of the Rules of operation of the Zakat, Tax and Customs Committees; however, the Appellant submitted evidence indicating a technical glitch on the General Secretariat's platform that prevented it from registering the lawsuit during the specified statutory period. By reviewing the documents submitted by the Appellant, it is evident from the screenshot attached to the lawsuit file that it proves the impossibility of completing the registration process as a result of a technical glitch on the website, despite the Appellant initiating the submission procedures, and undertaking correspondence with the General Secretariat prior to the expiry of the statutory grace period. As this is considered a presumption of the Appellant's seriousness in filing the lawsuit within the statutory deadline, and the absence of negligence or omission on its part, the Circuit concludes to accept the appeal procedurally, annul the Resolution Circuit's decision, and remand the lawsuit to be reconsidered on the merits.

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

Decision

First: Acceptance of the appeal procedurally.

Second: Acceptance of the appeal, annulment of the Resolution Circuit's decision, and remanding the lawsuit to it for consideration according to what is explained in the grounds.



Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes

Decision No VA-2025-246311

Case No. V-2024-246311

Keywords:

Value Added Tax – Expiry of the Statutory Period – Previous Lawsuit – Completion of Documents – Remanding the lawsuit

Summary:

The Taxpayer's objection to the Resolution Circuit's decision which ruled not to accept the lawsuit procedurally due to the lapse of the statutory period. Whereas he argued the existence of a previous lawsuit that was closed as if it never existed due to the non-completion of documents, and that the General Secretariat notified him to file a new lawsuit. And whereas the Circuit referred back to the file of the previous lawsuit and the completion of the required documents became evident to it, and that the Taxpayer filed his first lawsuit within the statutory period from the date of his notification of the objection's result; the implication of this is: acceptance of the appeal, annulling the resolution decision, and remanding the lawsuit to be considered.

Document

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

Parties Defenses:

Defenses of the Appellant (Taxpayer)

The Appellant argued that he had previously filed a lawsuit within the statutory period, then it was closed as if it never existed due to the non-completion of documents. He also argued that he received an email from the General Secretariat regarding the expiration of the completion deadline, and he was notified to file a new lawsuit. He adhered to the fact that his first filing of the lawsuit was within the statutory deadline.

The Committee's response to the defenses:

It became evident to the Appeal Circuit that the decision issued by the Resolution Circuit ruled not to accept the lawsuit procedurally due to the lapse of the statutory period. And whereas the Appellant objects to the Resolution Circuit's decision because he has a previous lawsuit closed as if it never existed under No. (...GSTC)



due to the non-completion of documents, and an email was sent from the General Secretariat of the Zakat, Tax and Customs Committees stating the expiration of the deadline for completing the documents, and according to the phone call, he was notified to file a new lawsuit. By the Appeal Circuit's review of the lawsuit documents, and by referring back to the closed lawsuit file, the completion of the required documents became evident; consequently, the Appellant had submitted his lawsuit within the statutory period. And since the Appellant was notified of the result of the objection to the Authority's decision on 23/01/2024 AD, and he filed his lawsuit before the Resolution Circuit under Lawsuit No. (...GSTC) on 23/02/2024 AD, meaning within the statutory period, this proves the soundness of what the Appellant argues regarding filing a grievance against the Authority's decision within the statutory period as mandated by the provisions of Article (6) of the Rules of Operation of the Zakat, Tax and Customs Committees. A matter with which the Appeal Circuit concludes to accept the submitted appeal.

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

Decision

First: Acceptance of the appeal submitted by / (...), National ID No. (...) procedurally.

Second: Acceptance of the appeal submitted by / (...), National ID No. (...) on the merits, Annulment of the decision of the First Circuit for the Resolution of Value Added Tax Violations and Disputes in Jeddah Governorate No. (VJ-2024-237963), and remanding the lawsuit to it for consideration according to what is explained in the grounds.



Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes

Decision No VA-2025-171

Case No. V-2024-246533

Keywords:

Value Added Tax – Considering the Lawsuit – Formulating the lawsuit – Amending the returns – Remanding the lawsuit

Summary:

The Taxpayer's objection to the Resolution Circuit's decision which ruled to consider the lawsuit as if it never existed. Whereas he argued that he responded to the requests, and that the Circuit did not consider his substantive defenses relating to his non-objection before the Authority, the suspension of the activity, the cancellation of the commercial register, and the non-collection of the declared tax amounts. And whereas the Circuit deemed that the basis of the lawsuit is not the objection to a decision issued by the Authority, but rather the Taxpayer's inability to amend his tax returns, and that the Resolution Circuit was obligated to ask him about what formulates his lawsuit and the reason for not amending the return through the Authority's website; the implication of this is: acceptance of the appeal, annulling the resolution decision, and remanding the lawsuit to be considered.

Document

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

Parties Defenses:

Defenses of the Appellant (Taxpayer)

The Appellant argued that what was stated in the Resolution Circuit's decision regarding his non-response to the requests is incorrect, and that the Circuit disregarded his defenses relating to the issuance of a final judgment canceling the commercial register, the suspension of the activity, the cancellation of the events contracts, and the non-collection of the declared tax amounts. He also argued that the returns were submitted based on his belief in the soundness of his legal position, and that exceptional circumstances prevented him from objecting before the Authority.



The Committee's response to the defenses:



It became evident to the Appeal Circuit that the appealed decision issued by the Resolution Circuit concluded by considering the lawsuit as if it never existed. And whereas the Appellant objects to the Resolution Circuit's decision because what was stated in the Resolution Circuit's decision regarding his non-response to the sent requests is completely incorrect, as the Circuit did not consider the substantive defenses in his statement of claim, which justify the reasons for his non-objection before the Authority regarding the disputed tax periods. As the reason goes back to the issuance of a final judicial judgment that ruled to cancel the commercial register and not to practice the activity, which resulted in the establishment's obligation to cancel the contracts relating to its activity in preparing parties and events. He clarified that the tax amounts declared during the first and second quarters of the year 2019 were not collected, since the contracts were concluded before the issuance of the judgment, and the agreed-upon events were not executed. He confirmed that the returns were submitted due to his belief in the soundness of his legal position at that stage, except that the issuance of the final judgment led to confusion which resulted in financial obligations that he was unable to fulfill. As for submitting the returns despite the suspension of the activity, the Appellant clarified that he submitted them due to his expectation of the issuance of a judgment in his favor, and for his hope in the continuation of the activity.

And whereas it is established to the Circuit that the Resolution Circuit's decision was not based on the Appellant's failure to attach certain documents (including the final assessment, the notice of receipt of the objection, and its result), and whereas the Appellant did not dispute the issuance of a final assessment by the Appellee. And since the basis of the Plaintiff's lawsuit is not the objection to a decision issued by the Authority and thus an objection could be submitted against it, but rather it is about his inability to amend his tax returns; consequently, the Resolution Circuit was supposed to ask him about what is necessary to formulate his lawsuit, for example; the reason for his non-amendment of the return through the Authority's electronic website without resorting to filing a lawsuit before the tax committees, and whether there was a reason beyond his control that prevented him from amending his tax return. A matter with which the Appeal Circuit concludes to accept the appeal.

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

Decision

First: Acceptance of the appeal procedurally.

Second: Acceptance of the appeal on the merits, Annulment of the decision of the First Circuit for the Resolution of Value Added Tax Violations and Disputes in Jeddah Governorate, and remanding the lawsuit to it for consideration according to what is explained in the grounds.



Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes

Decision No VA-2025-246619

Case No. V-2024-246619

Keywords:

Value Added Tax – Petition for Reconsideration – Final Decision – Expiry of the Statutory Period – Remanding the lawsuit

Summary:

The Taxpayer's objection to the Resolution Circuit's decision which ruled not to accept the petition for reconsideration against a previous decision that concluded not to accept the lawsuit procedurally. Whereas he argued that the Authority did not notify him of the decisions so that he could object to them. And whereas it became evident to the Appeal Circuit that the Resolution Circuit erred in the date of notification of the primary decision, and that the decision subject of the petition had acquired the final status and was enforceable, which makes it permissible to consider the petition, considering it an extraordinary method of objection against a final decision; the implication of this is: acceptance of the appeal, annulling the resolution decision, and remanding the lawsuit to be considered.

Document

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

Parties Defenses:

Defenses of the Appellant (Taxpayer)

The Appellant argued that the previous Resolution Circuit's decision was based on the immunization of the Authority's decisions by the lapse of the statutory period, even though the Authority did not notify him of the issuance of the decisions so that he could object to them. He also argued that the decision not to accept the petition was invalid because the primary decision had become final and enforceable.



The Committee's response to the defenses:



It became evident to the Appeal Circuit that the appealed decision issued by the Resolution Circuit concluded not to accept the request for a petition for reconsideration against the Resolution Circuit's decision No. (VD-2022-60669), issued on 14/03/2023 AD, and whose operative part included: "Not to accept considering the lawsuit procedurally." And whereas the Appellant objects to the Resolution Circuit's decision because the Resolution Circuit had issued its decision based on the premise that he submitted the objection before the Authority on 26/08/2021 AD and submitted the grievance before the Resolution Committee on 26/03/2022 AD, and that thereby the decisions were immunized by the lapse of the statutory period, except that the Circuit overlooked that the Authority did not notify him of the issuance of the decisions so that he could object.

And after reviewing the defenses of both parties and by referring back to the appealed decision, it became evident to the Appeal Circuit that the Resolution Circuit had erred in establishing its grounds that the Plaintiff was notified of the primary decision on 14/03/2024 AD. The correct fact is that the Plaintiff was notified of the decision on 14/03/2023 AD, then he applied with a request for a petition for reconsideration on 17/11/2024 AD. A matter which proves the primary decision's acquisition of the final status. And this is not undermined by what the Resolution Circuit concluded that the petition was submitted against a non-final decision, because the initially appealed primary decision was considered final and enforceable. Consequently, it is permissible to consider the submitted petition at that time, because objecting through extraordinary methods is restricted to being after final, enforceable decisions. A matter with which the Circuit concludes to accept the appeal on the merits.

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

Decision

First: Acceptance of the appeal procedurally.

Second: Acceptance of the appeal on the merits, annulment of the Resolution Circuit's decision, and remanding the lawsuit to it for consideration according to what is explained in the ground.



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