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

Compendium of Decisions Issued by the Tax Committees for the Year 2025

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بسم الله الرحمن الرحيم

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Introduction

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

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

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

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

Praise be to Allah alone. Therefore:

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

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

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

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

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

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

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

Secretary-General

Abdullah bin Abdulrahman Al-Suhaibani

Methodology

The General Secretariat has been careful to select decisions addressing broadly applicable or comprehensive issues in order to achieve the desired benefit. In view of the importance of the characterization of the case pending before the Zakat, Tax and Customs Committees and its impact on the reasoning and basis for establishing the decision, being the result sought by the parties to the case, and because Tax cases have different facts and circumstances; it was necessary to categorize the final Tax decisions issued by the Tax Committees for the year 2025 to enable researchers to review the Committees' positions as reflected in those decisions.

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

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

Procedural Tax Decisions Issued by the Tax Committees

Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes

Decision No IR-2025-97488

Case No W-2022-97488

Keywords:

Procedural – Recording the Settlement of the Dispute.

Summary:

The Taxpayer's appeal against the decision of the Circuit for the Resolution of Income Tax Violations and Disputes relating to the tax assessment for the years from 2013 to 2015 AD, wherein its request included the annulment of the decision which ruled to reject its objection on the merits. The Authority's representatives clarified during the hearings the acceptance of the Taxpayer's appeal for the purpose of remanding the case for audit and assessment, and the Taxpayer's attorney acknowledged the approval thereof, resting its case on what was previously submitted. Whereas the Circuit based its decision on the statutory rules that allow litigants to record what they have agreed upon, whether an acknowledgment or settlement, in the case minutes and issue an instrument to that effect after establishing the termination of the dispute by agreement of both parties, the effect of this is; recording the settlement of the dispute regarding the appeal subject of the lawsuit.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Article 70 of the Law of Sharia Procedures, issued by Royal Decree No. (M/1), dated 22/01/1435 AH.

Facts:

This is to consider the appeal submitted on 09/03/2022 AD by / (...), National ID No. (...), in his capacity as the Chief Executive Officer of the appellant company, against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City No. (IFR-2022-2112) issued in Case No. (W-2021-57977) relating to the tax assessment for the years from 2013 to 2015 AD, in the lawsuit filed by the appellant against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

Acceptance of the objection of the plaintiff / (...) Company, (Commercial Registration No. ...) against the decision of the defendant / Zakat, Tax and Customs Authority procedurally, and its rejection on the merits.

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

On Tuesday, 12/12/2023 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Item No. (2) of Article (16) 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; and upon calling upon the litigants, / (...), National ID No. (...), attended in her capacity as an attorney for the plaintiff pursuant to Power of Attorney No. (...), and / (...), (National ID No. ...), attended in her capacity as the representative of the defendant / Zakat, Tax and Customs Authority, pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (...) dated 19/03/1445 AH. In this hearing, the representatives of both parties stated that there are signs of a settlement between the two parties, and they request to suspend the proceedings in the lawsuit pursuant to Article (43) of the Rules of Operation of the Resolution Circuits, which stipulated: "1- The lawsuit may be suspended based on the agreement of its parties not to proceed with it, for a period not exceeding one hundred and eighty (180) days from the date the Circuit approves their agreement. If the parties to the lawsuit do not resume the proceedings within the ten days following the end of the period, the plaintiff shall be deemed to have abandoned its lawsuit," accordingly, the Circuit unanimously decided:

Suspending the lawsuit pursuant to the text of Article (43) of the Rules of Operation of the Circuits for Adjudicating Tax Violations and Disputes.

On Thursday, 04/07/2024 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH; and upon calling upon the litigants, / (...) National ID No. (...), attended in his capacity as an attorney for the appellant pursuant to Power of Attorney No. (...), and (...) (National ID No. ...), attended in her capacity as the representative of the appellee / Zakat, Tax and Customs Authority, pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (...) dated

19/03/1445 AH. In this hearing, the appellant's representative requested the suspension of the proceedings in the lawsuit to resort to settlement, and upon presenting this to the Authority's representative, she responded with approval. Accordingly, the Circuit decided to suspend the proceedings in the lawsuit pursuant to Article (43) of the Rules of Operation for Zakat, Tax, and Customs Committees, which stipulated suspending the proceedings in the lawsuit for a period not exceeding one hundred and eighty (180) days.

On Tuesday, 07/01/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 10:10 AM in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH; and upon calling upon the litigants, / (...), National ID No. (...), attended in her capacity as an attorney for (...) Company pursuant to Power of Attorney No. (...), issued on 12/08/1444 AH, and License to Plead on Behalf of a Legal Entity No. (...), and the representatives of the appellee / (...), (National ID No. ...), and (...), (National ID No. ...) attended pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (...) dated 19/03/1445 AH. Upon asking the representatives of the appellee what they wished to add, they stated that the Authority accepts the Taxpayer's appeal for the purpose of remanding the case for audit and assessment, and upon presenting this to the appellant's attorney, she acknowledged the approval thereof. Upon asking both parties what they wished to add, they decided to rest their case on what was previously submitted. And after closing the pleadings and deliberation.

Grounds

Whereas Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH, stipulates: "Litigants may request the court, at any stage of the lawsuit, to record what they have agreed upon, whether an acknowledgment, settlement, or otherwise, in the hearing minutes, and the court shall issue an instrument to that effect," and Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures, issued by the Minister of Justice's Resolution No. (39933) dated 19/05/1435 AH, stipulates: "If the agreement is reached before the case is recorded, the content of the lawsuit and the answer must be documented before recording the agreement, taking into consideration that the origin of the lawsuit is within the jurisdiction of the circuit, even if the content of the agreement falls within the jurisdiction of another court or circuit, provided that the subject matter of the lawsuit or part of it is among what is agreed upon." Based on the foregoing, and whereas the termination of the dispute has been established by the Authority's acceptance of the Taxpayer's requests according to the statement of the Authority's representatives during the hearing held on 07/01/2025 AD, which included "Upon asking the representatives of the appellee what they wished to add, they stated that the Authority accepts the Taxpayer's appeal for the purpose of remanding the case for audit and assessment, and upon presenting this to the appellant's attorney, she acknowledged the approval thereof," this renders it incumbent upon the Circuit to record the settlement of the dispute regarding the appeal subject of the lawsuit.

Decision

Recording the settlement of the dispute regarding the appeal submitted by the Taxpayer ... Company, Commercial Registration No. (...), TIN (...), against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City No. (IFR-2022-2112) issued in Case No. (W-2021-57977) relating to the tax assessment for the years from 2013 to 2015 AD.

Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Income Tax Violations and Disputes

Decision No. IR-2025-243398

Case No. ZIW-2024-243398

Keywords:

Procedural – Acceptance of the Abandonment of Litigation.

Summary:

The Taxpayer's appeal against the decision of the Circuit for the Resolution of Income Tax Violations and Disputes relating to the Zakat, tax, and withholding tax assessment for the years from 2012 to 2017 AD, wherein its request included the annulment of the decision which ruled the Non-acceptance of the petition for reconsideration submitted by it. The Taxpayer clarified, pursuant to a letter submitted to the Circuit, its desire to withdraw its appeal lawsuit and abandon the litigation therein. Whereas it has been established to the Circuit the Taxpayer's request to abandon the appeal and withdraw the case, which renders it statutorily incumbent upon the Circuit to accept this request, the effect of this is; acceptance of the abandonment of litigation in the appeal

Document

- Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH.

Facts:

This is to consider the appeal submitted on 03/10/2024 AD by / (...), National ID No. (...), in his capacity as an attorney for the appellant company pursuant to Power of Attorney No. (...) dated 21/06/1442 AH, and Law Practice License No. (...), against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City No. (IFR-2024-240234) issued in Case No. (ZIW-2024-240234) relating to the Zakat, tax, and withholding tax assessment for the years from 2012 to 2017 AD, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

Non-acceptance of the petition for reconsideration submitted by / (...) Company, (TIN ...).

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

On Sunday, 27/04/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 08:30 AM in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH; and after reviewing the submitted memoranda, and the papers and documents contained in the case file, and after deliberation, and whereas the case is ripe for judgment in its current state, the Circuit decides to close the pleadings and reserve the case for adjudication

Grounds

Whereas Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH, stipulates: "Litigants may request the court, at any stage of the lawsuit, to record what they have agreed upon, whether an acknowledgment, settlement, or otherwise, in the hearing minutes, and the court shall issue an instrument to that effect," and Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures, issued by the Minister of Justice's Resolution No. (39933) dated 19/05/1435 AH, stipulates: "If the agreement is reached before the case is recorded, the content of the lawsuit and the answer must be documented before recording the agreement, taking into consideration that the origin of the lawsuit is within the jurisdiction of the circuit, even if the content of the agreement falls within the jurisdiction of another court or circuit, provided that the subject matter of the lawsuit or part of it is among what is agreed upon." Based on the foregoing, and whereas it has been established to this Circuit the Taxpayer's request to abandon the appeal, which includes "in reference to the company's appeal lawsuit No. ZIW-2024-243398 filed against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City ("First Circuit" or "Resolution Circuit") No. IFR-2024-240234, the company submits this letter requesting the withdrawal of its aforementioned appeal lawsuit," which renders it incumbent upon the Circuit to accept the abandonment of the litigation.

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

Decision

Acceptance of the abandonment of litigation in the appeal submitted by / (...) Company, Commercial Registration (...), TIN (...), against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City No. (IFR-2024-240234) issued in Case No. (ZIW-240234-2024) relating to the Zakat, tax, and withholding tax assessment for the years from 2012 to 2017 AD.

Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Income Tax Violations and Disputes

Decision No. IR-2025-239575

Case No. Z-2024-239575

Keywords:

Procedural – Filing the lawsuit by a person without standing.

Summary:

The Taxpayer's appeal against the decision of the Circuit for the Resolution of Income Tax Violations and Disputes relating to the presumptive tax assessment for the years from 2015 to 2018 AD, wherein its request included the annulment of the decision which ruled the Non-acceptance of its lawsuit procedurally. The Circuit's examination of the appeal brief revealed that the representative attorney submitted and signed the request on papers other than their own professional letterhead. Whereas the Circuit based its decision on the statutory rules that obligate the attorney to use their own specific papers to submit their writings and not to submit any letters on papers that do not belong to them, considering their non-compliance with this a breach of the mandatory conditions for valid legal representation; the effect of this is the Non-acceptance of the appeal procedurally due to it being filed by a person without standing.

Document

- Article (10) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Article (13/01) of the Implementing Regulations of the Code of Law Practice, issued by the Minister of Justice's Resolution No. (676) dated 19/04/1446 AH.

Facts:

This is to consider the appeal submitted on 12/07/2024 AD by / (...), National ID No. (...), in his capacity as an attorney for the appellant establishment pursuant to Power of Attorney No. (...) dated 17/01/2024 AD, and Law Practice License No. (...), against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City No. (IZD-2024-196683) issued in Case No. (Z-2023-196683) relating to the presumptive tax assessment for the years from 2015 to 2018 AD, in the lawsuit filed by the appellant against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

Non-acceptance of the lawsuit procedurally.

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

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

Grounds:

Regarding the Taxpayer's appeal, and upon the Circuit's deliberation on the Taxpayer's appeal, and after examining the case file, and whereas verifying the capacity of the parties to the lawsuit is considered one of the preliminary matters that are adjudicated before entering into the subject matter of the lawsuit; and whereas the Circuit reviewed the submitted appeal brief, and it became evident that the submitter of the lawsuit is a licensed attorney who submitted and signed the appeal on papers other than their own professional letterhead, whereas they were obligated to submit requests and briefs on their own professional letterhead based on Article (13/01) of the Implementing Regulations of the Code of Law Practice, which stipulates: "An attorney must use their own specific papers to submit their writings to the authorities, and they must include their name, the name of the main and branch offices, the license number and date, phone numbers, P.O. Box, and postal code. They may not submit to the authorities any writing on papers that do not include such information, or papers that do not belong to them." And based on Article (10) of the Rules of Operation for Zakat, Tax, and Customs Committees, which stipulates: "The representation of the parties to the lawsuit shall be in accordance with the provisions set forth in the Code of Law Practice and its Implementing Regulations," and since the submitter of the appeal, as stated, did not adhere to the mandatory conditions for valid representation, the Circuit concludes the Non-acceptance of the appeal due to it being submitted by a person without standing.

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

Decision

Non-acceptance of the appeal procedurally, submitted by the Taxpayer (...) Establishment Branch, Commercial Registration (...), TIN (...), against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City No. (IZD-2024-196683) issued in Case No. (Z-196683-2023) relating to the presumptive tax assessment for the years from 2015 to 2018 AD.

Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes

Decision No. IR-2025-241164

Case No. ZIW-2024-241164

Keywords:

Procedural – Filing the lawsuit prematurely.

Summary:

The Taxpayer's objection against the decision of the Resolution Circuit relating to the Zakat and tax assessment, wherein its appeal included a request to compel the Authority to lift the freeze on its bank accounts due to the absence of obligations owed by it to the Authority. It clarified that the unpaid tax amounts relate to the previous company prior to the transfer of the trade name. Whereas the Circuit established the Committees' jurisdictional competence to consider the dispute, it was not proven that the Taxpayer submitted a request to the Authority to lift the freeze and that the Authority rejected it, which breaches the statutory requirements for the existence of an appealable decision. The effect of this is; annulment of the Resolution Circuit's decision, and ruling the Non-acceptance of the lawsuit for being filed prematurely.

Document

- Paragraph (1) of Article (3) – Paragraph (3) of Article (37) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.

Facts:

This is to consider the appeal submitted on 27/08/2024 AD by / (...), National ID No. (...), in his capacity as the statutory representative of the appellant company pursuant to its articles of association, against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City No. (ITR-2024-235928) issued in Case No. (ZIW-235928-2024) relating to the Zakat and tax assessment, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

The Circuit's lack of jurisdictional competence to consider the lawsuit.

Whereas the Resolution Circuit issued its aforementioned decision and reconsidered the lawsuit de novo as a result of this Circuit's decision No. (IR-2024-190861) issued on 07/05/2024 AD, which included remanding the lawsuit to the Resolution Circuit to consider its merits, and which ruled as follows:

First: Acceptance of the appeal procedurally submitted by the Taxpayer / (...) Company, Commercial Registration (...), TIN (...), against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City No. (ITR-2023-156247) issued in Case No. (ZIW-2022-156247) relating to the Zakat and tax assessment.

Second: On the Merits:

Acceptance of the Taxpayer's appeal, annulment of the Resolution Circuit's decision, and remanding the lawsuit to it to consider its merits.

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

On Sunday, 16/03/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 02:31 PM in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. After reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and after deliberation, and whereas the case is ripe for judgment in its current state, the Circuit decided to close the pleadings and reserve the case for adjudication.

Grounds:

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

On the Merits, and upon reviewing the statement of claim submitted before the Resolution Circuit, the appeal brief, and the responsive memoranda, and whereas the Taxpayer limited its lawsuit to the request of lifting the freeze on the bank accounts. Upon reviewing the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH, which determine the jurisdictions of the Committees, where Paragraph (1) of Article (Three) stipulated: "1- The Circuits of the Resolution Circuit shall have jurisdiction over the following: a- Adjudicating violations, disputes, and public and private right claims arising from the application of the provisions of Zakat and tax laws and regulations. b- Adjudicating objections of concerned parties against decisions issued by the Authority in application of the provisions of Zakat and tax laws and regulations." And whereas the freeze by the Authority on the Taxpayer's bank accounts came in application of the provisions of the Zakat, tax, and customs laws and regulations, it is considered among the disputes falling within the jurisdiction of the Resolution Circuit pursuant to the Rules of Operation for Zakat, Tax, and Customs Committees. Based on Paragraph (3) of Article Thirty-Seven of the Rules of Operation for Zakat, Tax, and Customs Committees, which stipulated: "If the Appeal Circuit decides to annul the Resolution Circuit's decision issued for lack of jurisdiction, acceptance of a subsidiary defense resulting in staying the lawsuit proceedings, inadmissibility of considering it due to prior adjudication, non-hearing due to the lapse of the prescribed period, Non-acceptance procedurally, or Non-acceptance of the lawsuit due to it not being specified, it shall remand the lawsuit to the Resolution Circuit that issued the decision to consider the merits, unless the circumstances of the lawsuit are ripe for adjudication, or the circumstances of the lawsuit necessitate prompt adjudication, or its subject matter is one regarding which the decisions or principles of the Appeal Circuits have been established; in which case it may be adjudicated without remanding." And whereas the circumstances of the lawsuit are ripe for adjudication, and to avoid prolonging the litigation period in the lawsuit, and considering the company's request to compel the Authority to lift the freeze on its bank accounts due to the absence of obligations owed by the company to the Authority, and that the unpaid tax amounts relate to the previous company before the transfer of the trade name, where the owner was of (...) nationality. And whereas it did not become evident to the Circuit during the examination of the case documents that the owner of the company addressed the Authority with a request to lift the freeze on the bank accounts, and that the Authority rejected the request. Guided by the judgment issued in appeal No. 1466/2/S for the year 1436 AH issued by the Court of Appeal in the Board of Grievances, and published in the first volume of the Compendium of Judgments and Principles for the year 1436 AH, which stipulated: "Regarding the acceptance of the lawsuit procedurally: Whereas it was incumbent upon the court to verify ab initio the fulfillment of the conditions for accepting the lawsuit, considering it a preliminary matter related to public policy that remains pending before it at any stage of the lawsuit, even if no defense is raised regarding it. And whereas it is established in jurisprudence and judiciary that an administrative decision appealable by annulment is that issued by the competent authority with the power to decide, in which it expresses its will pursuant to the laws and regulations with the aim of creating, annulling, or amending a statutory position, based on the public interest; so that it becomes suitable to be challenged thereafter... Accordingly, the present lawsuit lacks one of the conditions that must be met in an annulment lawsuit pursuant to Paragraph Four of Article Eight of the Law of Procedures before the Board of Grievances issued by Royal Decree (M/2) on 22/01/1435 AH. That is because the legislator's requirement to grieve to the defendant prior to filing the lawsuit was for a wisdom related to the supreme public interest, which necessitates reducing disputes by resolving them in their earliest stages and preserving the stability of statutory positions and administrative situations. There is no dispute that stipulating this serves as mandatory rules drafted and mandated by the legislator, making it the Board's means to fulfill its mission." This leads the Circuit to conclude the rejection of the Taxpayer's appeal on the merits, annulment of the Resolution Circuit's decision, and ruling the Non-acceptance of the lawsuit for being filed prematurely.

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

Decision

First: Acceptance of the appeal procedurally submitted by the Taxpayer (...) Company, Commercial Registration No. (...), TIN (...), against the decision of the Third Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City No. (ITR-2024-235928) issued in Case No. (ZIW-235928-2024) relating to the Zakat and tax assessment.

Second: On the Merits:

Rejection of the Taxpayer's appeal on the merits, annulment of the Resolution Circuit's decision, and ruling the Non-acceptance of the lawsuit for being filed prematurely.

Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes

Decision No. IR-2025-238857

Case No. W-2024-238857

Keywords:

Procedural – Striking off the Lawsuit – Settlement.

Summary:

The Taxpayer's appeal against the decision of the Circuit for the Resolution of Income Tax Violations and Disputes relating to the tax assessment for the years from 2007 to 2010 AD, wherein its request included the annulment of the decision issued rejecting its lawsuit regarding the withholding tax item and recording the abandonment of litigation in the late payment penalty item. The course of litigation demonstrated the parties' agreement to suspend the proceedings in the lawsuit, followed by the deposit of the approved decision of the Internal Settlement Committee for the disputed years. Whereas the Circuit based its decision on the statutory rules which stipulate that the internal committee's decision issued for settlement is deemed final and terminating the lawsuit, and necessitates striking it off after providing the Secretariat with a copy thereof; the effect of this is; striking off the lawsuit based on the issued settlement decision.

Document

- Paragraph (2) of Article (8) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.

Facts:

This is to consider the appeal submitted on 24/06/2024 AD by / (...), National ID No. (...), in his capacity as an attorney for the appellant company pursuant to Power of Attorney No. (...) dated 22/09/1444 AH, and Law Practice License No. (...), against the decision of the Second Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City No. (ISR-2024-227607) issued in Case No. (W -2023-227607) relating to the tax assessment for the years from 2007 to 2010 AD, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

1- Rejection of the lawsuit regarding the withholding tax on paid interests item for the years from 2007 to 2010 AD.

2- Recording the abandonment of litigation regarding the late payment penalty imposed on the withholding tax item for the years from 2007 to 2010 AD, in accordance with what was stated in the grounds.

Whereas the Resolution Circuit issued its aforementioned decision and reconsidered the lawsuit de novo as a result of this Circuit's decision No. (IR-2021-7), which included remanding the lawsuit to the Resolution Circuit to consider its merits. Accordingly, the Circuit decided to resume the consideration of the lawsuit. Whereas the appealed decision did not meet the acceptance of the Taxpayer, it submitted an appeal brief which the Circuit reviewed, the substance of which is that the Taxpayer requests the acceptance of its appeal and the annulment of the appealed Resolution Circuit's decision.

On Tuesday, 28/01/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 09:06 AM in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH; and upon calling upon the litigants, / ..., National ID No. (...), attended in his capacity as an attorney for the appellant pursuant to Power of Attorney No. (...) issued on 22/09/1444 AH, and Law Practice License No. (...), and the representative of the appellee / (...) (National ID No. ...) attended, pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (...) dated 19/03/1445 AH. Upon asking the appellant's attorney what he wished to add, he stated that he maintains what was previously submitted in this lawsuit. Upon asking the appellee's representative, she stated a request for additional time to submit what she has, as she was notified of the hearing date on Thursday, 23/01/2025 AD, due to which she was unable to prepare a responsive memorandum given the short time between the time the Authority was notified of the hearing date and the time the hearing convened today. Upon the Circuit's conviction of those reasons, the Circuit decided to grant the Authority a period of (10) days to submit what it has, ending on the date: 20/07/2025 AD, and to grant the Taxpayer a period of (10) days to respond to it, ending on the date: 18/02/2025 AD. After this date, the pleadings will be closed and the lawsuit will be reserved for deliberation and issuance of the decision, and the Circuit will not accept any new documents or memoranda that were not submitted before the aforementioned date. The next hearing shall be on 25/02/2025 AD, which will be a decision pronouncement hearing.

On Tuesday, 25/02/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 09:00 AM in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH; and upon calling upon the litigants, / (...), National ID No. (...), attended in his capacity as an attorney for the appellant pursuant to Power of Attorney No. (...) issued on 22/09/1444 AH, and Law Practice License No. (...), and the representative of the appellee / (...), (National ID No. ...) attended, pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (...) dated 19/03/1445 AH. In this hearing, and upon reviewing the request to suspend the proceedings in the lawsuit deposited in the case file by the parties, which included their request to suspend the proceedings in the lawsuit for a period of (90) days, the Circuit accordingly unanimously decided to grant the parties' request and suspend the proceedings in the lawsuit for a period of (90) days starting from the date 26/02/2025 AD and ending on the date 27/05/2025 AD pursuant to Paragraph (1) of Article (Forty-Three) of the Rules of Operation for Zakat, Tax, and Customs Committees. If the parties to the lawsuit do not resume the proceedings within the ten days following the end of the period, the plaintiff shall be deemed to have abandoned its lawsuit.

On Thursday, 18/09/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 06:56 AM in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH; and after reviewing the approval of the settlement committee's decision issued under No. (53671) and attached in the case file, and based on Paragraph (2) of Article (8) of the Rules of Operation for Zakat, Tax, and Customs Committees which stipulated: "The decision of the internal committee issued for settlement shall be deemed final and terminating the lawsuit, if the Taxpayer agrees to it in writing within the period specified in the settlement rules, and the Authority must notify the General Secretariat thereof and provide it with a copy of the decision to strike off the lawsuit."

Grounds

And after the Circuit's review of the appeal, and based on Paragraph (2) of Article (Eight) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH, which stipulated: "2- The decision of the internal committee issued for settlement shall be deemed final and terminating the lawsuit, if the Taxpayer agrees to it in writing within the period specified in the settlement rules, and the Authority must notify the General Secretariat thereof and provide it with a copy of the decision to strike off the lawsuit," based on the foregoing, and after reviewing the approval of the settlement committee's decision issued under No. (53671) for the disputed years attached in the case file, and whereas Article Eight of the Rules of Operation for Zakat, Tax, and Customs Committees referred to above stipulates that the lawsuit under consideration shall be struck off after the Secretariat is provided with a copy of the settlement committee's decision, this leads the Circuit to conclude to strike off the lawsuit based on the settlement decision issued under No. (53671) on 19/05/2025 AD.

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

Decision

Striking off the lawsuit filed by the Taxpayer / (...), 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-2024-227607) issued in Case No. (W -2023-227607) relating to the tax assessment for the years from 2007 to 2010 AD, based on the settlement decision issued under No. (53671) on 19/05/2025 AD

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

Decision No. VA-2025-246302

Case No. V-2024-246302

Keywords:

Procedural – Failure to satisfy the appeal requirements.

Summary:

The Taxpayer's appeal against the decision of the Circuit for the Resolution of Value Added Tax Violations and Disputes, wherein its request included the annulment of the decision which ruled to reject its lawsuit on the merits. The Circuit's examination revealed that the appeal brief did not include the correct number of the objected Resolution Circuit's decision, and the statutory requirements were not satisfied despite notifying the Taxpayer of the incomplete data via the electronic system. Whereas the Circuit based its decision on the statutory rules that obligate satisfying the incomplete data of the appeal request within fifteen days from the date of notification, otherwise the Circuit may rule its Non-acceptance, the effect of this is; Non-acceptance of the appeal procedurally.

Document

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

Facts:

Whereas the facts of this lawsuit have been set forth in the appealed decision, the Appeal Circuit refers to it to avoid repetition. And whereas the decision of the Resolution Circuit ruled as follows:

First: Acceptance of the lawsuit procedurally.

Second: On the merits: Rejection of the plaintiffs' lawsuit.

Whereas this decision did not meet the acceptance of the appellants, they submitted an appeal brief which the Circuit reviewed, and it included their claim to accept the appeal and annul the Resolution Circuit's decision.

On Monday, 17/09/1446 AH, corresponding to 17/03/2025 AD, at 04:20 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded above, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. After reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and whereas the case is ripe for judgment in its current state; the Circuit decides to close the pleadings and reserve the case for adjudication.

Grounds:

After reviewing the Rules of Operation for Zakat, Tax, and Customs Committees and relevant laws, and whereas Article (Thirty-Four) of the Rules of Operation for Zakat, Tax, and Customs Committees stipulates: "Without prejudice to the provisions of Paragraph (2) of Article (Thirty-Three) of the Rules, the appeal request shall be submitted within (thirty) days from the day following the date of its receipt, through the electronic system of the General Secretariat, including the data of the appealed decision, the grounds upon which the appeal is based, and the requests of the appellant, and the appeal request shall be deemed registered from the date of its submission. In the event the data is not satisfied, the applicant must satisfy what is missing within (fifteen) days from the date of being notified of such deficiency; if it fails to satisfy what was requested within this period, the Circuit may rule to not accept it," and whereas the appeal brief was submitted and did not include the correct number of the objected Resolution Circuit's decision, and whereas the appellants were requested via the electronic system on 08/12/2024 AD to submit the appeal brief encompassing the statutory requirements, and it was not submitted; this leads the Appeal Circuit to conclude the Non-acceptance of the appeal request procedurally.

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

Decision

Non-acceptance of the appeal procedurally.

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

Decision No VA-2025-244359

Case No V-2024-244359

Keywords:

Procedural – Non-acceptance of the Petition for Reconsideration.

Summary:

The petitioner's request for reconsideration of the Appeal Circuit's decision regarding Value-Added Tax and Excise Tax, wherein her request included the acceptance of the petition and a reconsideration of the final judgment that ruled to reject her appeal and uphold the Resolution Circuit's decision. The Circuit's examination revealed that the petition did not contain any new matter that would change the result reached, nor did the petitioner present anything requiring rectification or comment. Whereas the Circuit based its decision on the statutory rules which establish that the fundamental principle for judicial judgments, once they become final, is that they may not be reconsidered except in cases specifically defined by law, and whereas none of these cases were found applicable to the submitted petition, the effect of this is; Non-acceptance of the petition for reconsideration.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Article (200) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH.

Facts:

Whereas the facts of this lawsuit have been set forth in the decision subject of the petition, the Appeal Circuit refers to it to avoid repetition. And whereas the decision of the Appeal Circuit ruled as follows:

First: Acceptance of the appeal submitted by / (...), TIN (...), procedurally for being submitted within the statutorily specified period.

Second: Rejection of the appeal submitted by / (...), TIN (...) on the merits, and upholding the decision of the First Circuit for the Resolution of Value Added Tax Violations and Disputes in Dammam City No. (VD-2023-198460).

Whereas this decision did not meet the acceptance of the petitioner, she submitted a petition brief to the Appeal Circuit which the Circuit reviewed, and it included her demand to accept the submitted petition request.

On Monday, 18/08/1446 AH, corresponding to 17/02/2025 AD, at 12:30 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. After reviewing the petition request, and the papers and documents contained in the case file, the Circuit decided to close the pleadings and reserve the case for adjudication.

Grounds

Upon the Circuit's deliberation on the submitted petition, and after examining the case file, and whereas the fundamental principle for judicial judgments, once they become final, is that they may not be reconsidered except in the cases set forth in Article (200) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH, and provided that this occurs within the statutory period specified in Article (201), which is (30) days from the date of becoming aware of the grounds relied upon in the petition submitted before the Circuit. And whereas the submitted petition did not include any new matter that would change the result reached by this Circuit, and whereas the petition did not satisfy any of the cases stipulated for reconsidering final judgments, and whereas the petitioner did not present in her petition anything requiring rectification or comment, this leads this Circuit to conclude its Non-acceptance.

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

Decision

Non-acceptance of the petition for reconsideration.

Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes

Decision No IR-2025-239094

Case No I-2024-239094

Keywords:

Procedural – Expiration of the Statutory Period.

Summary:

The Taxpayer's appeal against the decision of the Circuit for the Resolution of Income Tax Violations and Disputes relating to the tax assessment for the year 2018 AD, wherein its request included the annulment and reversal of the decision which ruled the Non-acceptance of its lawsuit procedurally. The examination of the lawsuit documents confirmed that the Taxpayer was notified of the Resolution Circuit's decision via the electronic system on 25/05/2024 AD, and submitted the appeal on 30/06/2024 AD. Whereas the Circuit based its decision on the statutory rules that determine the period for submitting an appeal request to be within thirty days from the day following the date of its receipt, and whereas the request was proven to be submitted after the expiration of this statutorily prescribed period; the effect of this is; Non-acceptance of the appeal procedurally, as the Resolution Circuit's decision has acquired final status.

Document

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

Facts:

This is to consider the appeal submitted on 30/06/2024 AD by / (...), National ID No. (...), in his capacity as an attorney for the appellant company pursuant to the foreign power of attorney certified by the official authorities in the Kingdom of Saudi Arabia dated 29/04/2020 AD, and Law Practice License No. (...), against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City No. (IZD-2024-226060) issued in Case No. (I-2023-226060) relating to the tax assessment for the year 2018 AD, in the lawsuit filed by the appellant against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

Non-acceptance of the plaintiff's lawsuit procedurally.

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

On Sunday, 03/08/1446 AH, corresponding to 02/02/2025 AD, at 12:01 PM, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. After reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and after deliberation, and whereas the case is ripe for judgment in its current state, the Circuit decided to close the pleadings and reserve the case for adjudication.

Grounds

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

And upon the Circuit's deliberation on the subject of the dispute, whereas Article (Thirty-Four) of the Rules of Operation for Zakat, Tax, and Customs Committees stipulates: "Without prejudice to the provisions of Paragraph (2) of Article (Thirty-Three) of the Rules, the appeal request shall be submitted within (thirty) days from the day following the date of its receipt, through the electronic system of the General Secretariat, including the data of the appealed decision, the grounds upon which the appeal is based, and the requests of the appellant, and the appeal request shall be deemed registered from the date of its submission. In the event the data is not satisfied, the applicant must satisfy what is missing within (fifteen) days from the date of being notified of such deficiency; if it fails to satisfy what was requested within this period, the Circuit may rule to not accept it." Whereas it is established from the lawsuit documents that the Taxpayer was notified of the Resolution Circuit's decision via the electronic system of the General Secretariat of Zakat, Tax and Customs Committees (Hayad) on 25/05/2024 AD, and submitted the appeal against it on 30/06/2024 AD, which renders the appeal submitted after the lapse of the statutorily prescribed period; this leads the Circuit to conclude the Non-acceptance of the appeal procedurally for being submitted after the expiration of the period statutorily specified.

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

Decision

Non-acceptance of the appeal procedurally, submitted by (...) Company, Commercial Registration No. (...), TIN (...), against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City No. (IZD-2024-226060) issued in Case No. (I-2023-226060) relating to the tax assessment for the year 2018 AD, due to the Resolution Circuit's decision having acquired final status.

Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes

Decision No IR-2025-240163

Case No W-2024-240163

Keywords:

Procedural – Forfeiture of the Right to Appeal.

Summary:

The Taxpayer's appeal against the decision of the Circuit for the Resolution of Income Tax Violations and Disputes relating to the withholding tax assessment for the years from 2016 to 2018 AD, wherein its request included the annulment and reversal of the decision which ruled to reject its lawsuit on the merits. The course of litigation demonstrated the failure of the Taxpayer's representative to attend the scheduled pleading sessions despite proof of statutory notification through the electronic portal. Whereas the Circuit based its decision on the Implementing Regulations of the Procedures of Objection to Judgments, which stipulate the forfeiture of the appellant's right to appeal if they are absent from any session and sixty days elapse without requesting to proceed with the lawsuit; the effect of this is; the forfeiture of the appellant's right to appeal, rendering the Resolution Circuit's decision final.

Document

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

Facts:

This is to consider the appeal submitted on 31/07/2024 AD by / (...), Passport No. (...), in his capacity as the manager of the appellant company pursuant to the commercial registration, against the decision of the Second Circuit for the Resolution of Income Tax Violations and Disputes in Riyadh City No. (ISR-2024-226367) issued in Case No. (W-2023-226367) relating to the withholding tax for the years from 2016 to 2018 AD, in the lawsuit filed by the Taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

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

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

On Monday, 24/03/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 01:45 PM in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, the representative of the appellee / (...), (National ID No. ...) attended, pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal and Compliance Affairs under No. (...) dated 19/03/1445 AH. The appellant's representative did not attend despite the proven statutory notification of the date of this hearing. Upon asking the appellee's representative what she wished to add, she stated that she reiterates its previous submissions in this lawsuit. After closing the pleadings and deliberation, and whereas the Taxpayer's or its representative's absence was established, and based on the text of Paragraph (1) of Article (Twenty-Eight) of the Implementing Regulations of the Procedures of Objection to Judgments, which stipulated: "If the appellant is absent from any hearing session and sixty (60) days elapse from the date of the session, and it does not request to resume the lawsuit during this period, the court shall rule the forfeiture of its right to appeal," the Circuit decided to temporarily suspend the proceedings in the lawsuit.

On Wednesday, 04/06/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its hearing at exactly 09:00 AM in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Whereas the appellant or its representative did not attend the previous hearing despite the established statutory notification, and whereas the appellant did not request to proceed with the lawsuit during the sixty days from the date of the previous hearing, the Circuit unanimously decided the forfeiture of the appellant's right to appeal.

Grounds

After reviewing the submitted appeal, and based on Paragraph (1) of Article (Twenty-Eight) of the Implementing Regulations of the Procedures of Objection to Judgments, which stipulates: "If the appellant is absent from any hearing session and sixty (60) days elapse from the date of the session, and it does not request to resume the lawsuit during this period, the court shall rule the forfeiture of its right to appeal," and based on the foregoing, and whereas the appellant's representative failed to attend the dispute consideration hearing held on Monday, 24/03/2025 AD, and did not submit an excuse for the failure to attend despite the validity of the notification of the date through the electronic portal of the General Secretariat of Zakat, Tax and Customs

Committees, the proceedings in the lawsuit were temporarily suspended. It then failed to attend the second hearing to consider the dispute held on Wednesday, 04/06/2025 AD. Whereas it has been established to the Circuit the absence of the appellant's representative, and the failure to request to proceed with the lawsuit during sixty days from the date of the previous session, in accordance with the provisions of Paragraph (1) of Article (Twenty-Eight) of the Implementing Regulations of the Procedures of Objection to Judgments referred to above, this leads the Circuit to conclude the forfeiture of the appellant's right to appeal, and the Resolution Circuit's decision becomes final.

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

Decision

Forfeiture of the appellant's right to appeal submitted by the Taxpayer / (...) 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-2024-226367) issued in Case No. (W-2023-226367) relating to the withholding tax for the years from 2016 to 2018 AD.

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

Decision No VA-2025-240650

Case No V-2024-240650

Keywords:

Procedural – Claim amount does not exceed 50 thousand Riyals.

Summary:

The Taxpayer's appeal against the decision of the Circuit for the Resolution of Value Added Tax Violations and Disputes, wherein its request included the annulment and reversal of the decision which ruled to reject its lawsuit on the merits. The Circuit's examination of the dispute documents revealed that the amounts due to be paid in the lawsuit did not exceed (fifty thousand) Riyals. Whereas the Circuit based its decision on the statutory rules which establish that the decisions of the Resolution Circuits acquire final status in lawsuits where the value of the amounts does not exceed fifty thousand Riyals, making the decision immune and non-appealable; the effect of this is; Non-acceptance of the appeal procedurally, as the Resolution Circuit's decision has acquired final status.

Document

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

Facts:

Whereas the facts of this lawsuit have been set forth in the appealed decision, the Appeal Circuit refers to it to avoid repetition. And whereas the decision of the Resolution Circuit ruled as follows:

First: Acceptance of the lawsuit procedurally.

Second: Rejection of the lawsuit on the merits.

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

On Monday, 25/08/1446 AH, corresponding to 24/02/2025 AD, at 04:00 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures;

pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. After reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and whereas the case is ripe for judgment in its current state; the Circuit decides to close the pleadings and reserve the case for adjudication.

Grounds

After reviewing the Rules of Operation for Zakat, Tax, and Customs Committees and relevant laws.

And whereas it is established from the appealed decision and the lawsuit documents that the amount in dispute did not exceed (fifty thousand Riyals), and whereas Article (Thirty-Three) of the Rules of Operation for Zakat, Tax, and Customs Committees stipulates: "The decisions of the Resolution Circuits acquire final status in the following cases: 1- Lawsuits in which the value of the amounts due to be paid does not exceed (fifty thousand) Riyals," and whereas the value of this lawsuit did not exceed fifty thousand Riyals, which leads this Circuit to conclude that the Resolution Circuit's decision has acquired final status and is therefore among the non-appealable decisions; accordingly, this Circuit decides the Non-acceptance of the appeal procedurally.

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

Decision

Non-acceptance of the appeal procedurally.

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

Decision No VA-2024-235364

Case No V-2024-235364

Keywords:

Procedural – Non-acceptance of the Petition for Reconsideration.

Summary:

The petitioner's request for reconsideration of the Appeal Circuit's decision regarding Value-Added Tax and Excise Tax, wherein her request included the acceptance of the petition, reconsideration of the final judgment, and upholding the Resolution Circuit's decision. The Circuit's examination revealed that the petition did not contain any new matter that would change the result reached, nor did the petitioner present anything requiring rectification or comment. Whereas the Circuit based its decision on the statutory rules which establish that the fundamental principle for judicial judgments, once they become final, is that they may not be reconsidered except in cases specifically defined by law, and whereas none of these cases were found applicable to the submitted petition, the effect of this is; Non-acceptance of the petition for reconsideration.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Article (200) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH.

Facts:

Whereas the facts of this lawsuit have been set forth in the decision subject of the petition, the Appeal Circuit refers to it to avoid repetition. And whereas the decision of the Appeal Circuit ruled as follows:

Non-acceptance of the appeal request submitted by / (...) Company, Commercial Registration No. (...), procedurally for being submitted after the expiration of the statutorily specified period.

Whereas this decision did not meet the acceptance of the petitioner, she submitted a petition brief to the Appeal Circuit which the Circuit reviewed, and it included her demand to accept the submitted petition request.

The First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session to consider the submitted petition via video conferencing, pursuant to Paragraph (1) of Article (Fifteen) of the Rules of

Operation for Zakat, Tax, and Customs Committees, which states: "The proceedings of considering the lawsuit and pleading therein shall be in writing, and the circuits may – on their own motion or upon the request of one of the parties – hear the statements and defenses through remote pleading or in-person, according to their assessment. The session – if held remotely – shall be deemed equivalent to an in-person session, and shall produce all its effects, and the circuit shall record that in the hearing minutes." The Circuit reviewed the case file, the relevant memoranda and documents, and the Appeal Circuit's decision subject of the petition, and after discussion and deliberation, the Circuit decided to adjourn the session and issue the decision.

Grounds

Upon the Circuit's deliberation on the submitted petition, and after examining the case file, and whereas the fundamental principle for judicial judgments, once they become final, is that they may not be reconsidered except in the cases set forth in Article (200) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH, and provided that this occurs within the statutory period specified in Article (201), which is (30) days from the date of becoming aware of the grounds relied upon in the petition submitted before the Circuit. And whereas the submitted petition did not include any new matter that would change the result reached by this Circuit, and whereas the petition did not satisfy any of the cases stipulated for reconsidering final judgments, and whereas the petitioner did not present in her petition anything requiring rectification or comment, this leads this Circuit to conclude its Non-acceptance.

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

Decision

Non-acceptance of the petition for reconsideration.

Appeal Committee for Tax Violations and Disputes
First Circuit for the Resolution of Value Added Tax Violations and Disputes in Dammam City

Decision No	VD-2025-226233
Case No	V-2023-226233

Keywords:

Procedural – Lack of Jurisdictional Competence.

Summary:

The Plaintiff's lawsuit against the Defendant regarding Value Added Tax, wherein the request included compelling the Defendant to pay the VAT amount resulting from a lease contract. The course of litigation indicated that the Appeal Circuit issued a decision to annul the initial Resolution Circuit's decision and remand the lawsuit to the Resolution Circuit for reconsideration, citing a lack of clarity regarding the Plaintiff's standing. Whereas the Circuit based its decision on the statutory rules that mandate and limit the circumstances under which lawsuits are remanded from the Appeal Circuit, aiming to limit the duration of litigation, and whereas it became clear to the Circuit that the Plaintiff's standing was legally established—both personally and as an agent for the remaining heirs—without any ambiguity, the effect of this is; ruling that the Resolution Circuits lack subject-matter jurisdiction to consider the lawsuit.

Document

- Paragraphs (2-3) 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.

Facts:

The facts of this lawsuit are summarized in that / (...), National ID No. (...), in his capacity as a principal and as an agent for the heirs of (...) pursuant to the Heirs Identification Deed No. (...) dated 25/10/1439 AH, (namely: ..., National ID No. (...), and ..., National ID No. (...), and ..., National ID No. (...), and ..., National ID No. (...), and ..., National ID No. (...)) pursuant to Power of Attorney No. (...) dated 22/10/1444 AH, submitted a statement of claim including a request to compel the Defendant / (...), National ID (...), to pay the VAT amount resulting from the lease contract.

On 25/03/2024 AD, the Circuit issued the following decision: "Compelling the Defendant / (...), National ID (...), to pay to the Plaintiff / (...), National ID (...) an amount of (2,871.10) two thousand eight hundred and seventy-one Riyals and ten Halalas, representing the VAT amount due to the Plaintiff, and rejecting all other requests."

On 15/01/2025 AD, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes issued Decision No. (VA-2025-235180) in Appeal Case No. (V-2024-235180) dated 22/04/2024 AD, which included:

"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 it for reconsideration according to the explained grounds."

On Monday, 09/10/1446 AH, corresponding to 07/04/2025 AD, the First Circuit for the Resolution of Value Added Tax Violations and Disputes in Dammam City held its session via remote video conferencing; pursuant to the provisions of Item (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. The Plaintiff's attorney stated that he maintains all content in the objection statement, in addition to the fact that his client filed the lawsuit personally and as an agent for the rest of the heirs, and maintained previous statements. The Circuit decided to adjourn the session for deliberation, in preparation for issuing the decision.

Grounds

After reviewing the relevant laws and regulations, and whereas Paragraph (2) and Paragraph (3) of Article (37) of the Rules of Operation for Zakat, Tax, and Customs Committees state: "2- If the Resolution Circuit's decision is correct in its outcome, the Appeal Circuit shall uphold it with the addition of such grounds as it deems appropriate, but if it annuls it, it shall adjudicate what was annulled after the pleading. 3- If the Appeal Circuit decides to annul the Resolution Circuit's decision issued for lack of jurisdiction, acceptance of a subsidiary defense resulting in staying the lawsuit proceedings, inadmissibility of considering it due to prior adjudication, non-hearing due to the lapse of the prescribed period, Non-acceptance procedurally, or Non-acceptance of the lawsuit due to it not being specified, it shall remand the lawsuit to the Resolution Circuit that issued the decision to consider the merits." Whereas the article detailed the six specific cases in which a case is remanded to the Resolution Circuit—namely lack of jurisdiction, non-hearing, Non-acceptance procedurally, Non-acceptance due to lack of specification, inadmissibility, or acceptance of a subsidiary defense staying proceedings—and whereas this article is mandatory and limits those cases, it does not allow for discretionary interpretation, analogy, or inference due to their clarity. The objective of this article is to limit the duration of litigation and achieve prompt justice, which the regulator observed by subjecting decisions made outside these cases to substantive review before the Appeal Circuits. The Appeal Circuit's reasoning regarding the lack of clarity of the Plaintiff's standing—as the reason for remanding—is not supported, as the Plaintiff's standing is established pursuant to Power of Attorney No. (...), pleading personally and on behalf of the heirs, and the ambiguity mentioned by the Appeal Circuit is not apparent. Therefore, the Circuit concludes that the Resolution Circuits lack subject-matter jurisdiction to consider this lawsuit.

After deliberation, the Circuit unanimously decided:

Decision

The Resolution Circuits lack subject-matter jurisdiction to consider this lawsuit.

This decision was issued in the presence of both parties. The Circuit has set a period of (thirty) days for receiving a copy of the decision, and the Circuit may extend the delivery date by another (fifteen) days as it deems appropriate. The parties to the lawsuit may appeal the decision within (thirty) days from the day following the date set for its receipt. In the event that no objection is filed, the decision shall become final and enforceable upon the expiration of this period.

Appeal Committee for Tax Violations and Disputes
First Circuit for the Resolution of Excise Tax Violations and Disputes in Riyadh City

Decision No ER-2025-247684

Case No E-2025-247684

Keywords:

Procedural – Rejection of the Lawsuit.

Summary:

The Plaintiff's lawsuit against the Zakat, Tax and Customs Authority relating to the excise tax, wherein her lawsuit included an objection to the decision imposing the deferred excise tax and requesting the waiver of the entire claimed amount of (13,305,600) Riyals due to non-entitlement. She clarified that the goods subject to the claim were under a tax suspension arrangement and suffered destruction due to causes beyond her control. Whereas it became evident to the Circuit that the application of the provisions for tax suspension or its waiver due to destruction legally requires that the storage or the occurrence of the destruction takes place within a framework licensed by the Authority, and the Plaintiff did not submit what proves her obtaining this license; the effect of this is; rejection of the Plaintiff's lawsuit.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Articles (5-6) of the Implementing Regulations of the Excise Tax Law, amended by the Resolution of the Board of Directors of the Zakat, Tax and Customs Authority No. (23-1-13) dated 15 Rajab 1444 AH.

Facts

The facts of this lawsuit are summarized in that / (...), National ID No. (...), in his capacity as an attorney for the Plaintiff pursuant to the Sharia Power of Attorney No. (...) dated 05/11/1444 AH and Law Practice License No. (...), submitted a statement of claim that included her objection to the Defendant's decision imposing the deferred excise tax on her import of excise goods during the period of March, April, and May 2020 AD, and requesting the waiver of the entire claimed amount of (13,305,600) Riyals, due to non-entitlement.

On 13/06/2024 AD, the decision of the First Circuit for the Resolution of Excise Tax Violations and Disputes in Riyadh City No. (ER-2024-229342) was issued in Case No. (E-2023-229342), which included: "Non-acceptance of the lawsuit procedurally."

On 12/02/2025 AD, the decision of the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes No. (VA-2025-239534) was issued in Appeal Case No. (E-2024-239534), which included: "... 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."

On 13/03/2025 AD, the Defendant submitted a responsive memorandum, which the Circuit has reviewed.

On Sunday, 27/11/1446 AH, corresponding to 25/05/2025 AD, at 5:54 PM, the First Circuit for the Resolution of Excise Tax Violations and Disputes in Riyadh City held its session in the presence of its members whose names are recorded above, via video conferencing in accordance with the remote litigation procedures. Upon calling upon the litigants, / (...), (Saudi national) pursuant to National ID No. (...) attended in his capacity as an attorney for the Plaintiff in his capacity as a (lawyer) pursuant to Power of Attorney No. (...) issued on 27/11/1446 AH and Law Practice License No. (...). Also, / (...), (Saudi national) pursuant to National ID No. (...) attended in his capacity as the Defendant's representative pursuant to Authorization No. (...) issued by the Deputy Governor for Legal and Compliance Affairs at the Zakat, Tax and Customs Authority. After verifying the valid attendance of the parties to the lawsuit by displaying their National ID cards through an enlarged window and verifying their capacities, and upon asking the Plaintiff's attorney about his lawsuit, he replied in accordance with what was stated in the statement of claim. Upon asking the Defendant's representative for his response, he replied by maintaining what was stated in the responsive memorandum. After reviewing the lawsuit documents, the Circuit asked the parties to the lawsuit what they wished to add, and they decided to rest their case on what was previously submitted; accordingly, the Circuit decided to adjourn the session for deliberation in preparation for issuing the decision.

Grounds

After reviewing the Income Tax Law issued by Royal Decree No. (M/1) dated 15/01/1425 AH and its amendments, and its Implementing Regulations issued by the Minister of Finance’s Resolution No. (1535) dated 11/06/1425 AH and its amendments, and based on the Excise Tax Law issued by the esteemed Royal Decree No. (M/86) dated 27/08/1438 AH and its amendments, and the Implementing Regulations of the Law issued by the Resolution of the Board of Directors of the General Authority of Zakat and Tax No. (2-3-19) dated 10/09/1440 AH and its amendments, and the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH, and the relevant laws, regulations, and decisions.

Procedurally, and whereas the decision of the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes No. (VA-2025-239534) was issued in Appeal Case No. (E-2024- 239534), which ruled the annulment of the decision of the First Circuit for the Resolution of Excise Tax Violations and Disputes in Riyadh City No. (ER-2024-229342) issued in Case No. (E-2023-229342), and remanding the lawsuit to it to consider its merits; this leads the Circuit to conclude the acceptance of the lawsuit procedurally.

On the Merits; upon the Circuit’s deliberation on the lawsuit papers and the defenses and requests submitted by both parties, it became evident that the subject of the dispute lies in the Plaintiff's claim to waive the entire amounts claimed by the Defendant, amounting to (13,305,600) Riyals, due to non-entitlement.

The Plaintiff argued that the goods subject to the claim were under a tax suspension arrangement, relying on Article (6) of the Implementing Regulations of the Excise Tax Law, which stipulates that for the tax to be considered suspended, the goods must be stored and not released for consumption. She also argued that the goods had suffered destruction due to causes beyond her control, relying on Article (5) of the same Regulations, which stipulates the possibility of waiving the tax and penalties in the event of total destruction under the suspended arrangement, provided it is proven that the destruction resulted from causes beyond control. And whereas the application of the provisions of Articles (5) and (6) of the Implementing Regulations of the Excise Tax Law requires that the storage or the occurrence of the destruction takes place within a framework licensed by the Defendant, and the Plaintiff did not submit what proves her obtaining this license; this leads the Circuit to conclude the rejection of the Plaintiff's lawsuit.

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

Decision

Rejection of the Plaintiff's lawsuit.

Appeal Committee for Tax Violations and Disputes
First Circuit for the Resolution of Value Added Tax Violations and Disputes in Dammam City

Decision No VD-2025-55

Case No V-2025-247971

Keywords:

Procedural – Dismissal of the lawsuit due to prior adjudication.

Summary:

The Plaintiff's lawsuit against the Defendant regarding Value Added Tax, wherein her lawsuit included a request to compel the Defendant to pay the tax difference estimated at (10%). The course of litigation and the statement of the Plaintiff's representative clarified that no petition for reconsideration request was submitted, nor was the lawsuit initiated previously. Whereas the Circuit based its decision on the statutory rules which stipulate the inadmissibility of considering a lawsuit due to prior adjudication, which the court rules on of its own motion, and whereas it was established to the Circuit the issuance of a previous decision that acquired authoritative force regarding the exact same claim and subject matter of the dispute; the effect of this is; Dismissal of the lawsuit due to prior adjudication.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Article (76) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH.

Facts

The facts of this lawsuit are summarized in that / (...), Resident ID No. (...), in his capacity as the manager of (...) Company, Commercial Registration No. (...), filed against the Defendant / (...) Endowment, Commercial Registration No. (...), requesting to compel the Defendant to pay the tax difference estimated at (10%).

On Monday, 07/11/1446 AH, corresponding to 05/05/2025 AD, at 12:41 PM, the First Circuit for the Resolution of Value Added Tax Violations and Disputes in Dammam City held its session in the presence of its members whose names are recorded above, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the parties to the lawsuit; / (...), (... national) pursuant to Resident ID No. (...) attended in his capacity as the statutory representative of the Plaintiff pursuant to the articles of association, and no one attended to represent the Defendant despite the established statutory notification of the session's date. After verifying the valid standing of the attendee by displaying his National ID card through an enlarged window, the Circuit decided to proceed with considering the lawsuit. The session commenced with the Circuit reviewing the case file, and it became evident to it that it had previously adjudicated the lawsuit and no appellate decision or petition for reconsideration request was apparent. Upon confronting the company's manager with this, he stated, "We did not request to initiate the lawsuit or submit a petition, and we were not notified of the existence of an appeal by the Defendant before the Appeal Circuit"; accordingly, the Circuit decided to adjourn the session for deliberation in preparation for issuing the decision.

Grounds

After reviewing the relevant laws and regulations, and whereas it is evident that the dispute lies in the Plaintiff's claim to compel the Defendant to pay the tax difference estimated at (10%). And whereas Article (76) of the Law of Sharia Procedures stipulates that: "... The plea of inadmissibility to consider the lawsuit due to prior adjudication may be raised at any stage of the lawsuit, and the court shall rule on it of its own motion...", and since it is established that the subject matter of the lawsuit was previously adjudicated in Case No. (VD-2024-206749), regarding which a decision was issued concerning the exact same claim subject of this lawsuit, and no appellate decision or petition for reconsideration request was apparent. This was confirmed by the company's manager before this Circuit by stating, "We did not request to initiate the lawsuit or submit a petition, and we were not notified of the existence of an appeal by the Defendant before the Appeal Circuit." And since it is established in jurisprudence and judiciary that a lawsuit that has been previously adjudicated may not be considered unless its decision is annulled or reconsidered pursuant to the Law, this leads the Circuit to conclude the Dismissal of the lawsuit due to prior adjudication.

Based on the foregoing, and in accordance with the provisions of the Unified Agreement, the Value Added Tax Law, its Implementing Regulations, and the Rules of Operation of the Circuits for Adjudicating Tax Violations and Disputes, the Circuit, after deliberation, unanimously decided:

Decision

Dismissal of the lawsuit due to prior adjudication

Appeal Committee for Tax Violations and Disputes
First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City

Decision No ID-2025-25836

Case No I-2020-25836

Keywords:

Procedural – Non-acceptance due to lack of specification.

Summary:

The Taxpayer's objection against the Defendant's decision relating to the tax assessment for the year 2012 AD for income tax, wherein its lawsuit included an objection to the assessment issued against it. The examination of the case documents clarified that the Plaintiff was requested to submit a statement of claim satisfying the conditions along with additional documents, with no response from it. Whereas the Circuit based its decision on the statutory rules which mandate that the lawsuit must be specified and satisfy all necessary data and documents to be adjudicated, and it became evident that studying the dispute was impossible due to the Plaintiff's failure to satisfy what was requested of it; the effect of this is; Non-acceptance of the lawsuit procedurally due to lack of specification.

Document

- Article (Eleven) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Articles (41 - 66) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH.

Facts

The facts of this lawsuit are summarized in that the Plaintiff / (...) Company (Commercial Registration No. ...) submitted an objection to the tax assessment for the year 2012 AD issued by the Defendant / Zakat, Tax and Customs Authority.

On Monday, 08/12/2025 AD, the Circuit held its session in the presence of its members whose names are recorded above, via video conferencing in accordance with the remote litigation procedures at exactly 03:15 PM; pursuant to the provisions of Paragraph (One) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the parties to the lawsuit; no one attended to represent the Plaintiff despite the proven statutory notification of the date of this session. / (...), National ID No. (...), and / (...), National ID No. (...) attended in their capacity as the Defendant's representatives pursuant to the authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (...) dated 24/04/1447 AH. Upon asking the Defendant's representatives whether they had any other statements, they replied in the negative; accordingly, the Circuit decided to close the pleadings.

Grounds

After reviewing the Zakat Law issued by Royal Decree No. (17/28/577) dated 14/03/1376 AH, and its Implementing Regulations issued by the Minister of Finance's Resolution No. (2082) dated 01/06/1438 AH and its amendments, and after reviewing the Income Tax Law issued by Royal Decree No. (M/1) dated 15/01/1425 AH and its amendments, and its Implementing Regulations issued by the Minister of Finance's Resolution No. (1535) dated 11/06/1425 AH and its amendments, and after reviewing the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH, and the relevant laws and regulations.

Procedurally, and whereas Article (Eleven) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH stipulates: "1- The lawsuit shall be filed in accordance with the requirements determined by the General Secretariat, satisfying the following data: ... c- The objection number with the Authority, its date, its outcome, and a copy of the objected decision ... g- The date of notification of the decision of the Authority or the relevant internal committee and its outcome, regarding the objection referred to it, if any ..., f- The subject matter of the lawsuit, the Plaintiff's requests, and its grounds...". And based on Article (Forty-One) of the Law of Sharia Procedures issued by Royal Decree No. (M/1) dated 22/01/1435 AH, which stipulates: "1- The lawsuit shall be filed by the plaintiff via a statement of claim—signed by him or his representative—deposited with the court with an original and copies equal to the number of defendants. The statement of claim must include the following data: a- The full name of the plaintiff, his ID number, his profession or occupation, his place of residence, his workplace, and the full name of his representative, his ID number, his profession or occupation, his place of residence, and his workplace. b- The full name of the defendant, and available information about his profession or occupation, his place of residence, and his workplace; if he has no known place of residence, then his last place of residence. c- The date of submitting the statement. d- The court before which the lawsuit is filed. e- A chosen place of residence for the plaintiff in the city where the court is headquartered if he does not have a place of residence therein. f- The subject matter of the lawsuit, the plaintiff's requests, and its grounds." And whereas among the conditions for accepting the lawsuit is that it must be specified in a manner that allows for its adjudication, in accordance with what is stipulated in Article (Sixty-Six) of the Law of Sharia Procedures: "The judge shall ask the plaintiff about what is necessary to specify his lawsuit before questioning the defendant, and he may not proceed with it prior to that. If he is unable to specify it or refrains from doing so, the judge shall rule to reject the lawsuit." And whereas the Plaintiff was requested on 08/10/2020 AD to submit a statement of claim satisfying the conditions in addition to several documents in accordance with the provisions of the Rules of Operation for Zakat, Tax, and Customs Committees, yet it did not respond to what was requested of it, which made it impossible to study the lawsuit in its current state; this leads the Circuit to conclude the Non-acceptance of the lawsuit procedurally due to lack of specification.

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

Decision

Non-acceptance of the lawsuit procedurally due to lack of specification.

Appeal Committee for Tax Violations and Disputes
First Circuit for the Resolution of Value Added Tax Violations and Disputes in Jeddah Governorate

Decision No VJ-2025-55

Case No VT-2025-262462

Keywords:

Procedural – Non-hearing of the lawsuit due to the lapse of the prescribed period.

Summary:

The Plaintiff's lawsuit against the Defendant regarding Value Added Tax, wherein his request included compelling him to pay an amount of (19,250) Riyals as value-added tax against a real estate supply. The Circuit's examination revealed that the due date of the claimed amount dates back to month (7) of the year 2019 AD, while the lawsuit was registered on 12/02/2025 AD. Whereas the Circuit based its decision on the statutory rules which stipulate the non-hearing of the lawsuit in tax disputes after the lapse of five years from the due date of the claimed amount or from the date of knowing the incident, unless there is an excuse acceptable to the Committee, and it became evident that the statutorily prescribed period had been exceeded; the effect of this is; non-hearing of the lawsuit due to the lapse of the prescribed period.

Document

- Paragraph (3) of Article (46) of the 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 (23) of the Unified Value Added Tax Agreement for the Cooperation Council for the Arab States of the Gulf, approved by the esteemed Royal Decree No. (M/51) dated 03/05/1438 AH.

Facts

The facts of this lawsuit are summarized in that / (...), ID No. (...), filed his lawsuit personally against the Defendant / (...), ID No. (...), requesting to compel him to pay an amount of 19,250 Riyals as value-added tax against a real estate supply.

On Monday, 16/10/1446 AH, corresponding to 14/04/2025 AD, at 5:30 PM, the First Circuit for the Resolution of Value Added Tax Violations and Disputes in Jeddah Governorate held its session in the presence of its members whose names are recorded above, via video conferencing in accordance with the remote litigation procedures; Upon calling upon the litigants, the Plaintiff attended personally / (...), (Saudi national) pursuant to

National ID No. (...). The Defendant did not attend despite the established notification of the session's date. Upon asking the Plaintiff about his lawsuit, he replied in accordance with what was stated in the statement of claim. Upon asking him what he wished to add, he decided to rest his case on what was previously submitted. And since the lawsuit is ripe for adjudication, the Circuit decided to adjourn the session for deliberation.

Grounds

After reviewing the lawsuit papers and after scrutiny, and after reviewing the Value Added Tax Law issued by the esteemed Royal Decree No. (M/113) dated 02/11/1438 AH and its amendments, and the Implementing Regulations of the Law issued by the Resolution of the Board of Directors of the General Authority of Zakat and Tax No. (3839) dated 14/12/1438 AH and its amendments, and the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH, and the Unified Value Added Tax Agreement for the Gulf Cooperation Council States, and the relevant laws and regulations.

Procedurally: Whereas the Plaintiff aims in his lawsuit to compel the Defendant to pay an amount of 19,250 Riyals as value-added tax against a real estate supply, and whereas the due date of the claimed amount is: month (7) of the year 2019 AD, according to the Plaintiff's acknowledgment in the statement of claim submitted on 12/02/2025 AD, and whereas the date of filing the lawsuit before the Resolution Circuits is: 12/02/2025 AD, accordingly it has been established to the Circuit that the statutory period of more than five years has been exceeded. Based on Paragraph No. (8) of Article (67) of the Income Tax Law amended by Royal Decree No. (M/113), which stipulated the following: "The lawsuit shall not be heard in tax disputes after the lapse of five years from the due date of the claimed amount or from the date of knowing the incident subject of the dispute, except in the case of an excuse acceptable to the Committee," and Paragraph (First) of the Council of Ministers' Resolution No. (310) dated 16/04/1445 AH, which states: "Approving that the calculation of periods in all official procedures and transactions shall be based on the Gregorian calendar, except for those related to the provisions of Islamic Sharia where the calculation of periods is based on the Hijri calendar, or where the text explicitly states calculating its period based on the Hijri calendar," and Paragraph (3) of Article (46) of the Rules of Operation for Zakat, Tax, and Customs Committees: "3. Periods shall be calculated in the Gregorian calendar according to the nature of the lawsuit and its documents, taking into account in the calculation the dates contained in the electronic system of the General Secretariat," and Paragraph (1) of Article (23) of the Unified Value Added Tax Agreement for the Gulf Cooperation Council States, which states: "The tax shall become due on the date of supply of goods or services, or on the date of issuing the tax invoice, or on the date of receiving the consideration, partially or fully, and to the extent of the received amount, whichever is earlier," which renders it incumbent upon the Circuit to rule the non-hearing of the lawsuit due to the lapse of the prescribed period.

Based on the foregoing, the Circuit unanimously decided:

Decision

Non-hearing of the lawsuit due to the lapse of the prescribed period

Appeal Committee for Tax Violations and Disputes
Second Circuit for the Resolution of Value Added Tax Violations and Disputes in Riyadh City

Decision No VSR-2025-2

Case No VT-2024-260006

Keywords:

Procedural – Non-acceptance of the lawsuit due to an identical lawsuit pending.

Summary:

The Taxpayer's objection against the decision of the Zakat, Tax and Customs Authority relating to Value Added Tax, wherein his lawsuit included an objection to the tax assessment issued against him for the second quarter of 2023 AD, requesting its annulment. The examination of the dispute documents revealed the prior registration of another lawsuit for the Taxpayer relating to the exact same subject and tax period, which was considered before another Resolution Circuit. Whereas the Circuit based its decision on the statutory rules which do not permit considering the exact same subject matter simultaneously before the judiciary in more than one lawsuit; the effect of this is; Non-acceptance of the lawsuit procedurally due to an identical lawsuit pending.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Article (75) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH.

Facts

The facts of this lawsuit are summarized in that the Plaintiff / (...), (National ID No. ...) submitted a statement of claim including his objection to the decision of the Defendant / Zakat, Tax and Customs Authority regarding the tax assessment issued against him for the second quarter of the year 2023 AD, and requests the annulment of the Defendant's decision.

Upon presenting the statement of claim to the Defendant, it submitted a responsive memorandum, which the Circuit has reviewed.

On Tuesday, 21/01/2025 AD, the Second Circuit for the Resolution of Value Added Tax Violations and Disputes in Riyadh City held its session in the presence of its members whose names are recorded above, via video conferencing in accordance with the remote litigation procedures. Upon calling upon the litigants; the Plaintiff attended personally / (...), (Saudi national) pursuant to National ID No. (...), and / (...), (Saudi national) pursuant to National ID No. (...) attended in his capacity as a representative for the Defendant pursuant to Authorization No. (...) issued by the Deputy Governor for Legal and Compliance Affairs at the Zakat, Tax and Customs Authority. After verifying the valid attendance of the parties to the lawsuit by displaying the National ID card for each of them through an enlarged window and verifying the capacity of each, the Circuit decided to proceed with considering the lawsuit. After reviewing and examining the lawsuit documents; it became evident to the Circuit that the Plaintiff has a lawsuit relating to the same subject and the same tax period under No. (V-2024-244190) considered by the First Circuit for the Resolution of Value Added Tax Violations and Disputes in Dammam City, and accordingly, the Circuit decided to adjourn the session for deliberation in preparation for issuing the decision.

Grounds

After reviewing the relevant laws and regulations, and after the Circuit's review of the case file and the defenses and documents it contained; it became evident that the Plaintiff has a lawsuit registered under No. (V-2024-244190). Whereas Article (Seventy-Five) of the Law of Sharia Procedures issued by Royal Decree No. (M/1) dated 22/01/1435 AH stipulates that: "The plea of invalidity of the statement of claim, or lack of local jurisdiction, or referral of the lawsuit to another court due to the same dispute pending before it, or a related lawsuit pending, must be raised before any request or defense in the lawsuit, or a plea of Non-acceptance, otherwise the right to what is not raised shall be forfeited." And since the referenced lawsuit has priority in registration and relates to the same subject matter under objection in this lawsuit, and whereas the above statutory text indicates that the Law does not permit considering the exact same subject matter simultaneously before the judiciary in more than one lawsuit, even if the subject matter of the lawsuit has not acquired the status of prior adjudication preventing the hearing of the lawsuit, this leads the Circuit to conclude the Non-acceptance of the lawsuit procedurally due to an identical lawsuit pending.

Accordingly, after deliberation, the Circuit unanimously decided:

Decision

Non-acceptance of the lawsuit procedurally; due to an identical lawsuit pending.

Substantive Decisions Issued by the Tax Committees

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 – Claims between Individuals or Legal Persons – Acceptance of the Appeal – Compelling Payment.

Summary:

The Taxpayer’s appeal against the decision of the Circuit for the Resolution of Value Added Tax Violations and Disputes, wherein its request included the annulment of the decision which ruled to reject its lawsuit regarding the claim to compel the appellee to pay the value-added tax in the amount of (60,422) Riyals. It clarified that the supply occurred during the effective period of its tax registration arising from a lease contract, affirming that the tax burden statutorily falls upon the recipient of the service, and it submitted details of the installments and the electronic execution documents without any response from the appellee. Whereas the Circuit based its decision on the provisions of the Unified Value Added Tax Agreement which establish that the fundamental principle is that the recipient of the goods or service bears the tax, and it was established to it that the supply subject of the dispute occurred during the effective period of the Taxpayer's registration; the effect of this is; acceptance of the appeal procedurally and on the merits, annulment of the Resolution Circuit's decision, and ruling to compel the appellee to pay the amount.

Document

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

Facts

Whereas the facts of this lawsuit have been set forth in the appealed decision, the Appeal Circuit refers to it to avoid repetition. And whereas the decision of the Resolution Circuit ruled as follows:

First: Procedurally:

1- Non-hearing of the lawsuit regarding the first installment of the first year's rent of the claim, dated 04/10/2017 AD.

2- Acceptance of the lawsuit procedurally regarding the remaining payments.

Second: On the Merits: Rejection of the Plaintiff's lawsuit.

Whereas this decision did not meet the acceptance of the appellant, it submitted an appeal brief to the Appeal Circuit including its objection to the Resolution Circuit's decision ruling the rejection of its lawsuit regarding its claim for the payment of the value-added tax in the amount of (60,422) Riyals. This is 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 local 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. It concluded with a request to accept the appeal and annul the Resolution Circuit's decision.

On Sunday, 20/10/2024 AD, corresponding to 17/04/1446 AH, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Item No. (2) of Article (Fifteen) of the Rules of Operation of the Circuits for Adjudicating Tax Violations and Disputes issued by Royal Decree No. (26040) dated 21/04/1441 AH. After reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and after discussion and deliberation, the Circuit decided to adjourn the consideration to a session to be determined later, and 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.

On Sunday, 15/10/1446 AH, corresponding to 13/04/2025 AD, at 01:48 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. After reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and whereas the case is ripe for adjudication in its current state, the Circuit decides to close the pleadings and reserve the case for adjudication.

Grounds

Whereas by reviewing the case documents and the submitted appeal brief, 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 to reject 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 local 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. By 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.

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

Decision

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

Second: Acceptance of the appeal submitted by / (...), 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 (...) 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 – Tax Claims between Individuals or Legal Persons – Failure to Notify – Annulment of the decision – Remanding the lawsuit to the preliminary committee.

Summary:

The Taxpayer's appeal against the decision of the Resolution Circuit relating to Value Added Tax, wherein his request included the annulment of the decision ruling to compel him to pay the tax difference at a rate of (10%) on received payments and to bear the standard rate (15%) on subsequent supply works. He clarified that he was not validly notified of the lawsuit initially, as it was registered and automated notifications were directed to the name of the previous trustee of the endowment, whose statutory relationship with it had ended prior to the registration of the dispute. Whereas it has been established to the Appeal Circuit the validity of the appellant's defense that the notification messages were issued in the name of the previous trustee, whose connection to the endowment had been severed pursuant to a Sharia deed, which negates the current statutory representative's knowledge of the litigation; the effect of this is; acceptance of the appeal procedurally and on the merits, annulment of the Resolution Circuit's decision, and remanding the lawsuit to it for reconsideration.

Document

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

Facts

Whereas the facts of this lawsuit have been set forth in the appealed decision, the Appeal Circuit refers to it to avoid repetition. And whereas the decision of the Resolution Circuit ruled as follows:

First: Compelling the defendant, (...) Endowment, Commercial Registration (...), to pay to the plaintiff, (...) Company, Commercial Registration (...), the tax difference at a rate of (10%) for the following works:

1- The first payment received on 26/8/2021 AD, with the principal amount being (8,180,952.38) eight million, one hundred and eighty thousand, nine hundred and fifty-two Riyals and thirty-eight Halalas, and the awarded amount being (818,095.24) eight hundred and eighteen thousand, ninety-five Riyals and twenty-four Halalas.

2- The second payment received on 12/6/2022 AD, with the principal amount being (4,090,476.19) four million, ninety thousand, four hundred and seventy-six Riyals and nineteen Halalas, and the awarded amount being (409,047.62) four hundred and nine thousand, forty-seven Riyals and sixty-two Halalas.

Second: Compelling (...) Endowment, Commercial Registration (...), to bear the Value Added Tax at the standard rate of (15%) for all supply works related to this contract in all supply works subsequent to these two payments.

Whereas this decision did not meet the acceptance of the appellant, he submitted an appeal brief to the Appeal Circuit including his objection to the Resolution Circuit's decision ruling to compel him to pay the tax difference at a rate 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 payments. This was due to his lack of valid notification of the lawsuit, as the lawsuit was registered according to the plaintiff's statement against the defendant (...), who is the previous trustee of the endowment (the appellant) and whose relationship with the endowment ended since 06/06/1440 AH. This resulted in the issuance of the judgment in absentia against the endowment and its statutory representative (...) despite not being notified through any of the means stated in Article Eleven of the Rules of Operation for Zakat, Tax, and Customs Committees, or through the communication means registered with the Ministry of Interior or the General Authority of Endowments. And whereas the statutory texts in the Law of Sharia Procedures and its Regulations stipulate the necessity of validly notifying the defendant for it to produce its statutory effects, which was not achieved in this lawsuit, he concluded by requesting the acceptance of the appeal and the annulment of the Resolution Circuit's decision.

On Wednesday, 06/08/1446 AH, corresponding to 05/02/2025 AD, at 02:40 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. After reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and whereas the case is ripe for judgment in its current state, the Circuit decides to close the pleadings and reserve the case for adjudication.

Grounds

Whereas by reviewing the case documents and the submitted appeal brief, 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 to compel the appellant to pay the tax difference at a rate 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 payments. Whereas the appellant objects to the Resolution Circuit's decision due to his lack of valid notification of the lawsuit, as the lawsuit was registered according to the plaintiff's statement against the defendant (...), who is the previous trustee of the endowment (the appellant) and whose relationship with the endowment ended since 06/06/1440 AH. This resulted in the issuance of the judgment in absentia against the endowment and its statutory representative (...) despite not being notified through any of the means stated in Article Eleven of the Rules of Operation for Zakat, Tax, and Customs Committees, or through the communication means registered with the Ministry of Interior or the General Authority of Endowments. And whereas the statutory texts in the Law of Sharia Procedures and its Regulations stipulate the necessity of validly notifying the defendant for it to produce its statutory effects, which was not achieved in this lawsuit. Upon the Appeal Circuit's review of the lawsuit documents and after verifying and referring to the validity of the appellant's defense regarding his lack of initial notification of the lawsuit being a party to the dispute (defendant), and after verifying with the concerned departments in the General Secretariat of Zakat, Tax and Customs Committees, it became evident that the notification was issued to the previous trustee of the endowment / (...), whose relationship with the endowment had ended based on the deed issued by the Personal Status Court in Makkah Al-Mukarramah under No. (401134036) dated 30/05/1440 AH, and according to the notification message submitted in the case file dated 17/10/2023 AD, titled (Notification Message), which shows its sending to the previous trustee of the endowment (...), National ID No. (...). This leads the Appeal Circuit to conclude the acceptance of the submitted appeal.

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

Decision

First: Acceptance of the appeal submitted by / (...), 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 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-2025-235180

Case No V-2024-235180

Keywords:

Value Added Tax – Tax Claims between Individuals or Legal Persons – Annulment of the decision – Remanding the lawsuit to the preliminary committee.

Summary:

The Taxpayer's appeal against the decision of the Circuit for the Resolution of Value Added Tax Violations and Disputes, wherein his request included the annulment of the decision which partially ruled to compel the appellee to pay an amount of (2,871.10) Riyals only as due value-added tax and rejecting all other requests. He clarified that the total claimed amount is (327,977.53) Riyals, representing the tax due for the contract period from 2019 AD to 2023 AD, and argued that an error occurred in calculating his share and determining his tax capacity as a principal and legal agent for the heirs jointly to supply an indivisible tax. Whereas it has been established to the Appeal Circuit the contradiction in the case documents, the record of procedures, and the statement of claim in accurately determining the Plaintiff's capacity, whether acting as a plaintiff personally or as an agent and statutory representative for the heirs of (...), which is considered a fundamental matter related to public policy that the preamble of the appealed decision did not resolve; the effect of this is; acceptance of the appeal procedurally, annulment of the Resolution Circuit's decision on the merits, and remanding the lawsuit to it for reconsideration.

Document

- Article (76) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH.

Facts

Whereas the facts of this lawsuit have been set forth in the appealed decision, the Appeal Circuit refers to it to avoid repetition. And whereas the decision of the Resolution Circuit ruled as follows:
Compelling the Defendant / (...), National ID (...), to pay to the Plaintiff / (...), National ID (...) an amount of (2,871.10) two thousand eight hundred and seventy-one Riyals and ten Halalas, representing the value-added tax amount due to the Plaintiff, and rejecting all other requests.

Whereas this decision did not meet the acceptance of the appellant, he submitted an appeal brief to the Appeal Circuit including his objection to the Resolution Circuit's decision ruling to compel the appellee to pay the appellant the value-added tax amount due to the appellant and rejecting all other requests, because he is not obligated to supply the tax alone as his capacity in this lawsuit is a principal and an agent. He clarified that the claimed amount is (327,977.53) Riyals representing the value-added tax for the contract period from 2019 AD to 2023 AD, and that by reviewing the value-added tax registration certificate No. (...); it becomes evident that the effective date of registration is 01/01/2019 AD, and the determining factor is the effective date, not the registration date. The appellant pointed out that the appellee acknowledged the contract and its validity, and her failure to pay the tax throughout the validity period of the contract even after being claimed for it. He clarified that all amounts paid by the Defendant to the heirs were paid to a bank account in the name of the heirs at (...) Bank, and that all amounts paid to the Zakat Authority were from the same account. The appealed decision deviated from correctness in several points as follows: 1- In the event of calculating the tax supplied by the heir / (...) on behalf of himself only regarding the contract, it represents a percentage of (21.87%), which equals (71,745.08) Riyals; therefore, the Committee erred in calculating his share. 2- The heir / (...) individually is not subject to the value-added tax because his revenues do not exceed the mandatory registration threshold nor the voluntary registration threshold; accordingly, his registration with the Authority is as an obligated agent for the heirs to supply the tax, which cannot be divided. 3- The Committee calculated the total tax pertaining to the heir / (...) at an amount of (2,871.10) Riyals, considering that he is not obligated to supply the tax except effective from the registration date, however, the Taxpayer is obligated to supply the tax from the date of being subject to it regardless of the registration date. He concluded by requesting the acceptance of the appeal and the annulment of the Resolution Circuit's decision.

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

Grounds

Whereas by reviewing the case documents and the submitted appeal brief, 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 to compel the appellee to pay the appellant the value-added tax amount due to the appellant and rejecting all other requests. And whereas the appellant objects to the Resolution Circuit's decision because he is not obligated to supply the tax alone as his capacity in this lawsuit is a principal and an agent. He clarified that the claimed amount is (327,977.53) Riyals representing the value-added tax for the contract period from 2019 AD to 2023 AD, and that by reviewing the value-added tax registration certificate No. (...); it becomes evident that the effective date of registration is 01/01/2029 AD, and the determining factor is the effective date, not the registration date. And since it is established that it was stated in the record of procedures that the Plaintiff is (...), and it was also stated in the record of procedures that (...) is also a statutory representative and a new legal agent, and it was also stated in the statement of claim that (...) is a representative for the heirs of (...), and it was also stated in the facts of the Resolution Circuit's decision that (...) submitted in his capacity as an agent for the heirs of (...), while the Circuit issued its decision and it appeared in its preamble that the Plaintiff is (...). Consequently, the Plaintiff's capacity in this lawsuit is not clear, and this is a matter related to public policy that the Circuit may not violate pursuant to Article (76) of the Law of Sharia Procedures. This leads this Circuit to conclude the annulment of the Resolution Circuit's decision, and remanding the lawsuit to it for consideration according to what is explained in the grounds.

For these reasons and after statutory deliberation, 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 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-2025-237816
Case No	V-2024-237816

Keywords:

Value Added Tax – Tax Claims between Individuals or Legal Persons – Partial Acceptance of the Appeal – Annulment of the decision – Remanding the lawsuit to the preliminary committee.

Summary:

The Taxpayer's appeal against the decision of the Circuit for the Resolution of Value Added Tax Violations and Disputes, wherein his request included the annulment of the decision ruling to not hear the lawsuit regarding the payments related to the year 2018 AD due to the lapse of the prescribed period. He clarified the existence of an excuse that prevented him from filing the lawsuit and which interrupts the limitation period, represented by filing a previous lawsuit before the General Court to claim the remaining tax amount. Whereas the Appeal Circuit based its decision on the provisions of the Civil Transactions Law which establish the interruption of the non-hearing period of a lawsuit by a judicial claim, even if filed before an incompetent court, and whereas it established the interruption of the prescribed period for a specific payment from 2018 AD in view of the date the previous lawsuit was registered; the effect of this is; acceptance of the appeal procedurally, and on the merits, rejecting it for three payments due to the lapse of the prescribed period, while accepting it for the payment dated (18/10/2018 AD), annulling the Resolution Circuit's decision regarding it, and remanding the lawsuit to it for consideration.

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.
- Article (302) of the Civil Transactions Law issued by Royal Decree No. (M/191) dated 29/11/1444 AH.

Facts

Whereas the facts of this lawsuit have been set forth in the appealed decision, the Appeal Circuit refers to it to avoid repetition. And whereas the decision of the Resolution Circuit ruled as follows:

First: Procedurally:

1- Non-hearing of the lawsuit for the payments related to the year 2018 AD due to the lapse of the prescribed period.
2- Acceptance of the lawsuit procedurally regarding the payments related to the years from 2019 AD to 2023 AD.

Second: On the merits:

Acceptance of the Plaintiff's lawsuit and compelling the Defendant / (...), (Saudi national) pursuant to National ID No. (...), to pay to the Plaintiff / (...), (Saudi national) pursuant to National ID No. (...), the value-added tax amount subject of the lawsuit in the amount of (102,500.00) one hundred and two thousand and five hundred Riyals.

Whereas this decision did not meet the acceptance of the appellant, he submitted an appeal brief to the Appeal Circuit including his objection to the Resolution Circuit's decision ruling the non-hearing of the lawsuit for the payments related to the year 2018 AD due to the lapse of the prescribed period, due to the existence of an excuse that prevented him from filing the lawsuit before the date of its expiration by the lapse of the prescribed period, as in 2020 AD he stopped completing the work due to a dispute regarding the value-added tax amount. Then, the appellee filed a lawsuit with the Commercial Court to compel the appellant to complete the work, and a judgment was issued compelling him to complete the work and that he may 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 before an incompetent court interrupts the lapse of the prescribed period. He concluded by requesting the acceptance of the appeal and the annulment of the Resolution Circuit's decision.

On Monday, 06/07/1446 AH, corresponding to 06/01/2025 AD, at 05:00 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. After reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and whereas the case is ripe for judgment in its current state, the Circuit decided to close the pleadings and reserve the case for adjudication.

Grounds

Whereas by reviewing the case documents and the submitted appeal brief, 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 non-hearing of the lawsuit for the payments related to the year 2018 AD due to the lapse of the prescribed period. Whereas the appellant objects to the Resolution Circuit's decision due to the existence of an excuse that prevented him from filing the lawsuit before the date of its expiration by the lapse of the prescribed period, as in 2020 AD he stopped completing the work due to a dispute regarding the value-added tax amount, then the appellee filed a lawsuit with the Commercial Court to compel the appellant to complete the work, and a judgment was issued compelling him to complete the work and that he may 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 before an incompetent court interrupts the lapse of the prescribed period. Upon reviewing the appeal brief, it became evident that the appellant's objection is limited to the Circuit's decision regarding the non-hearing of the lawsuit for the payments related to the year 2018 AD 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). Whereas Article (302) of the Civil Transactions Law stipulates that "the non-hearing period of a lawsuit is interrupted in the following cases: b- Judicial claim, even if before an incompetent court." And whereas the appellant argues the existence of two previous lawsuits, and submitted a copy of the judgment deed for each of them. It becomes evident through reviewing the first lawsuit that it is a lawsuit filed by the appellee for the purpose of completing contracting works, and it did not include the Plaintiff's claim to pay the tax subject of this lawsuit. As for the other lawsuit registered before the General Court in Jazan, according to the judgment deed submitted in the case file, the lapse of the prescribed period is interrupted thereby pursuant to Article (302) of the Civil Transactions Law. And whereas the lawsuit was registered on 01/10/2023 AD, and the 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 before the registration of the lawsuit for which the decision subject of the appeal was issued. Accordingly, the payment on 18/10/2018 AD is the payment regarding which it is valid to hear the lawsuit, taking into account the interruption of the period of the non-hearing of the lawsuit due to the existence of a previous lawsuit registered on 01/10/2023 AD. This leads the Appeal Circuit to conclude the rejection of the appeal regarding the payments related to the year 2018 AD due to the lapse of the prescribed period, and the acceptance of the appeal regarding the payment dated (18/10/2018 AD).

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: On the merits:

1- Rejection of the appeal regarding the payments related to the following payments: (12/02/2018 AD, 11/03/2018 AD, 15/04/2018 AD).

2- Acceptance of the appeal regarding the payment dated (18/10/2018 AD), 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 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-2025-238110

Case No V-2024-238110

Keywords:

Value Added Tax – Tax Claims between Individuals or Legal Persons – Acceptance of the Appeal – Compelling payment of Value Added Tax.

Summary:

The heirs' appeal against the decision of the Circuit for the Resolution of Value Added Tax Violations and Disputes, wherein their request included the annulment of the decision which ruled to reject their lawsuit regarding the claim to compel the appellee to pay the amount of (300,000) Riyals, representing the value-added tax arising from the lease contract. The examination of the dispute documents revealed that the contract concluded between the two parties did not address the tax amount, and by comparing it to the price clause of the new renewed contract, it became evident that the previous rental value did not include the tax. Whereas the Appeal Circuit based its decision on the provisions of the Unified Value Added Tax Agreement which establish that the fundamental principle for bearing the burden of indirect tax is the customer receiving the goods or service, unless an exception is provided by a special text; the effect of this is; acceptance of the appeal procedurally and on the merits, annulment of the Resolution Circuit's decision, and ruling to compel the appellee to pay the amount.

Document

- Article (30) of the Unified Value Added Tax Agreement for the Cooperation Council for the Arab States of the Gulf, approved by the esteemed Royal Decree No. (M/51) dated 03/05/1438 AH.

Facts

Whereas the facts of this lawsuit have been set forth in the appealed decision, the Appeal Circuit refers to it to avoid repetition. And whereas the decision of the Resolution Circuit ruled as follows:
First: Acceptance of the lawsuit procedurally.
Second: Rejection of the plaintiffs' lawsuit regarding the tax claim subject of the lawsuit.
Whereas this decision did not meet the acceptance of the appellant, he submitted an appeal brief to the Appeal Circuit including his objection to the Resolution Circuit's decision ruling the rejection of his lawsuit regarding

the claim to compel the appellee to pay the amount of three hundred thousand Riyals representing the value-added tax resulting from the rental value of two million Riyals for the lease contract concluded between the parties on 12/09/1444 AH, corresponding to 03/04/2023 AD. This is because the lease contract subject of the lawsuit is a standard document issued by the appellee—the administrative authority—on the Ministry's letterhead, and it was the stronger party when concluding the contract. Furthermore, the principals were unable to negotiate with the Ministry to amend its clauses to detail the rent amount and its tax or to add any new clauses to protect their rights regarding the value-added tax amount. He concluded by requesting the acceptance of the appeal and the annulment of the Resolution Circuit's decision.

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

Grounds

Whereas by reviewing the case documents and the submitted appeal brief, 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 rejection of the appellant's lawsuit regarding his claim for the payment of the value-added tax in the amount of (300,000) Riyals resulting from the rental value of two million Riyals for the lease contract concluded between the parties on 12/09/1444 AH, corresponding to 03/04/2023 AD. Whereas the appellant objects to the Resolution Circuit's decision because the lease contract subject of the lawsuit is a standard document issued by the appellee—the administrative authority—and it was the stronger party when concluding the contract, and the principals were unable to negotiate to protect their rights regarding the value-added tax. Upon reviewing the appeal brief and the responsive memoranda and the defenses and documents submitted by both parties, and whereas the heirs demand compelling (...) to pay an amount of (300,000.00) Riyals representing the value-added tax resulting from the rental value, and by reviewing the contract concluded between the parties on 12/09/1444 AH, corresponding to 03/04/2023 AD, which did not address the value-added tax amount and who bears it. And whereas the fundamental principle for bearing the burden of paying the tax as an indirect tax on what is received from goods and services is the customer (recipient of goods and services), unless excepted by a special text according to specific cases set forth in Article (30) of the Unified Value Added Tax Agreement for the Cooperation Council for the Arab States of the Gulf, this necessitates establishing the right against the appellee to bear the value-added tax amount resulting from the lease contract concluded between the parties. Paragraph (3/1) of the (contract before its renewal dated 03/04/2023 AD) stipulated that "the value of this contract is (2,000,000) two million Riyals, for a duration of one year." By reviewing Paragraph (1) of Article (4) of the new contract concluded on 03/08/1445 AH, corresponding to 12/02/2024 AD, it was stipulated that the total value of the contract is (2,300,000) Riyals inclusive of all fees and taxes, which indicates that the amount in the previous contract does not include the value-added tax.

Since Power of Attorney No. (...) dated 06/04/1444 AH issued by the heirs to (...) authorizes the signing of lease contracts, based on the foregoing, we view the acceptance of the appeal of the heirs of (...) and compelling (...) to pay an amount of (300,000.00) Riyals representing the value-added tax resulting from the rental value of (2,000,000) two million Riyals for the lease contract concluded between the parties on 12/09/1444 AH, corresponding to 03/04/2023 AD.

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

Decision

First: Acceptance of the appeal submitted by / the heirs of (...), Heirs Identification Deed No. (...) procedurally.

Second: Acceptance of the appeal submitted by / the heirs of (...), Heirs Identification Deed 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-2024-229950), and ruling to compel (...) to pay an amount of (300,000.00) three hundred thousand Riyals to the appellant, the heirs of (...), Heirs Identification Deed No. (...) dated 20/10/1427 AH, representing the value-added tax for the period 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-2025-238865

Case No V-2024-238865

Keywords:

Value Added Tax – Tax Claims between Individuals or Legal Persons – Partial acceptance of the appeal – Compelling payment of Value Added Tax.

Summary:

The Taxpayer's objection against the decision of the Zakat, Tax and Customs Authority regarding the reassessment of the Real Estate Transaction Tax, where the Authority pleaded the Non-acceptance of the lawsuit procedurally for submitting the objection after the expiration of the statutory period for appeal. After reviewing the relevant laws, it became evident that the Taxpayer was notified of the objection result on January 20, 2022 AD, and submitted the request to register the lawsuit before the Committee on March 4, 2024 AD, i.e., after the expiration of the legal period for appeal which is set at 30 days. Accordingly, the Circuit decided the Non-acceptance of the lawsuit procedurally due to its non-submission within the statutory period. The effect of this is; Non-acceptance of the lawsuit procedurally due to the lapse of the statutory period.

Document

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

Facts

Whereas the facts of this lawsuit have been set forth in the appealed decision, the Appeal Circuit refers to it to avoid repetition. And whereas the decision of the Resolution Circuit ruled as follows:

First: Acceptance of the lawsuit procedurally.

Second: On the merits:

Rejection of the Plaintiff's lawsuit regarding the tax claim subject of the lawsuit in the amount of (508,098) Riyals.

Whereas this decision did not meet the acceptance of the appellant, he submitted an appeal brief to the Appeal Circuit including his objection to the Resolution Circuit's decision ruling the rejection of his lawsuit regarding the tax claim subject of the lawsuit. This was because the interpretation of the contract's preamble meant that the assignment was with all 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 before its transfer to the appellant. The appellant was unable to complete the transfer of the commercial registration to himself except after paying the financial amounts for the tax and Zakat returns owed on the registration. To secure his right pursuant to Article Sixteen of the contract, he paid all the tax and Zakat returns and completed the transfer of the commercial registration to himself. He concluded by requesting the acceptance of the appeal and the annulment of the Resolution Circuit's decision.

On Wednesday, 27/08/1446 AH, corresponding to 26/02/2025 AD, at 12:30 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. After reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and whereas the case is ripe for judgment in its current state, the Circuit decides to close the pleadings and reserve the case for adjudication

Grounds

Whereas by reviewing the case documents and the submitted appeal brief, 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 to reject the appellant's lawsuit regarding the tax claim subject of the lawsuit. Whereas the appellant objects to the Resolution Circuit's decision because the interpretation of the contract's preamble was that the assignment included 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 before its transfer to the appellant, who could not complete the transfer of the commercial registration to himself except after paying the financial amounts for the tax and Zakat returns owed on the registration. To secure his right pursuant to Article Sixteen of the contract, he paid all the tax and Zakat returns and completed the transfer of the commercial registration to himself. Upon the Appeal Circuit's review of the lawsuit documents, and whereas it is established that the appellant submitted his objection before the Resolution Circuit regarding an 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. This leads the Appeal Circuit to conclude the annulment of the appealed Resolution Circuit's decision and ruling 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, upon the Appeal Circuit's review of the contract issued by the Ministry of Commerce under No. (...) dated 19/03/1444 AH, and whereas Article (16) thereof stipulated: "Acknowledgment and Commitment: The two parties (...) and (...) acknowledge that they are fully and jointly liable and bear any debts and obligations that may arise on the company in the future," and whereas the amounts subject of the lawsuit relate to tax obligations for periods prior to the date of ownership transfer but appeared after it. This leads the Appeal Circuit to conclude the acceptance of the appeal, annulment of the appealed Resolution Circuit's decision, and ruling to compel (...) and (...) to pay an amount of (372,622.00) Riyals to (...).

Regarding the claim for the return of the fourth quarter of 2022 AD, and whereas the transfer of the company's ownership on 15/10/2022 AD was established, and the fourth quarter period begins on October 1 and ends on December 31, therefore the responsibility of the defendants (the appellees) is limited to a small part of the period, which is from 01/10/2022 AD to 15/10/2022 AD. However, the plaintiff (the appellant) is claiming them for the entire fourth quarter return, in addition to the fact that he submitted what proves the payment of the tax for the tax periods subject of the dispute except for the fourth quarter of 2022 AD, for which he did not submit what proves its supply to the Zakat, Tax and Customs Authority. This leads the Appeal Circuit to conclude the rejection of his lawsuit regarding the claim for the Value Added Tax for the fourth quarter of 2022 AD.

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: 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 an amount of (372,622.00) three hundred and seventy-two thousand, six hundred and 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 claim for the Value Added Tax 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-2025-239011

Case No V-2024-239011

Keywords:

Value Added Tax – Tax Claims between Individuals or Legal Persons – Partial Acceptance of the Appeal – Annulment of the Decision – Remanding the Lawsuit to the Preliminary Committee.

Summary:

The appellants' appeal against the appellee company relating to Value Added Tax, wherein their request included the annulment of the Resolution Circuit's decision which ruled to not accept the lawsuit procedurally regarding their claim to compel the appellee to pay the tax amount of (276,812.50) Riyals resulting from the lease contract. The course of litigation indicated that they corrected the data entry error made by the broker and updated the capacity of the lessors in the Ejar platform contract to be in their names, establishing the contractual relationship instead of their representative. Whereas the Appeal Circuit found the decision to be in accordance with the Law regarding the part relating to the periods from (01/01/2019 AD) to March 2021 AD due to the absence of anything requiring rectification, while the contractual relationship for the periods from (15/03/2021 AD) to (14/09/2023 AD) was established to it based on the property ownership deed and the updated electronic contract data; the effect of this is; acceptance of the appeal procedurally, and on the merits rejecting it and upholding the Resolution Circuit's decision for the first period, and accepting it, annulling the decision, and remanding the lawsuit to it for consideration for the second period.

Document

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

Facts

Whereas the facts of this lawsuit have been set forth in the appealed decision, the Appeal Circuit refers to it to avoid repetition. And whereas the decision of the Resolution Circuit ruled as follows:

Non-acceptance of the lawsuit procedurally.

Whereas this decision did not meet the acceptance of the appellants, they submitted an appeal brief to the Appeal Circuit including their objection to the Resolution Circuit's decision ruling the Non-acceptance of the lawsuit procedurally regarding their 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. This was 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. They concluded by requesting the acceptance of the appeal and the annulment of the Resolution Circuit's decision.

On Monday, 16/10/1446 AH, corresponding to 14/04/2025 AD, at 01:37, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. After reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and whereas the case is ripe for judgment in its current state, the Circuit decides to close the pleadings and reserve the case for adjudication.

Grounds

Whereas by reviewing the case documents and the submitted appeal brief, 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 Non-acceptance of 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. 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. Upon the Appeal Circuit's review of the lawsuit documents regarding the periods from (01/01/2019 AD) to (March 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 the grounds upon which it was based, 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 reject the appeal and uphold the Resolution Circuit's decision regarding what it reached.

Regarding the periods from (15/03/2021 AD) to (14/09/2023 AD), and whereas it was established that they relate to the (second) contract under record No. (...) dated (28/04/2021 AD), where the contract stipulated that the contract duration is from the date (15/03/2021 AD) to 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 to 14/03/2025 AD, and the capacity of the lessor was amended therein as previously the lessor was Mr. / (...) due to an error by the broker in entering the contract data, and it was amended to be as follows: "Lessor Data: (...), and (...), and (...), and (...), and (...)" with National ID numbers. Also, the contract indicates that Mr. / (...) is merely a representative for the lessors only. By reviewing the contract for the years from 15/03/2021 AD to 14/03/2025 AD, it became evident that it stipulates that the leased property holds deed No. (...), which is the exact deed submitted by the appellants in the case file and owned by them. And whereas the deed from which the tax subject of the dispute arises is the exact deed stipulated in the contract concluded on 28/04/2021 AD and under record No. (...), which establishes the existence of a contractual relationship between the appellants and the appellee. Based on the foregoing, the Appeal Circuit concludes to accept the appeal regarding the periods from 15/03/2021 AD to 14/09/2023 AD, annul the Resolution Circuit's decision, and remand the lawsuit to it for consideration according to what is explained in the grounds.

For these reasons and after deliberation, 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 upholding 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-2025-117

Case No V-2024-245723

Keywords:

Value Added Tax – Tax Claims between Individuals or Legal Persons – Acceptance of the Appeal – Annulment of the Decision – Remanding the Lawsuit to the Preliminary Committee.

Summary:

The Taxpayer's appeal against the decision of the Circuit for the Resolution of Value Added Tax Violations and Disputes, wherein his request included the annulment of the decision which ruled the non-hearing of the lawsuit due to the lapse of the prescribed period regarding his claim for the value-added tax resulting from the sale of a real estate property. He clarified the course of litigation, noting his continuous legal follow-up and the registration of consecutive previous lawsuits before the General Courts in Riyadh and Al Madinah Al Munawwarah, which concluded with the issuance of a judgment of lack of jurisdictional competence. Whereas the Appeal Circuit based its decision on the statutory rules which establish the interruption of the period of non-hearing of the lawsuit by a judicial claim, even if before an incompetent court, and whereas it established the interruption of the prescribed period pursuant to the previous lawsuits and the commencement of calculating the statutory period anew; the effect of this is; acceptance of the appeal procedurally and on the merits, annulment of the Resolution Circuit's decision, and remanding the lawsuit to it for consideration.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Article (302) of the Civil Transactions Law issued by Royal Decree No. (M/191) dated 29/11/1444 AH.
- Paragraph (8) of Article (67) of the Income Tax Law issued by Royal Decree No. (M/1) dated 15/01/1425 AH.

Facts

Whereas the facts of this lawsuit have been set forth in the appealed decision, the Appeal Circuit refers to it to avoid repetition. And whereas the decision of the Resolution Circuit ruled as follows:
Non-hearing of the lawsuit due to the lapse of the prescribed period.

Whereas this decision did not meet the acceptance of the appellant, he submitted an appeal brief to the Appeal Circuit including his objection to the Resolution Circuit's decision ruling the non-hearing of the lawsuit due to the lapse of the prescribed period. He argued in his appeal brief that his client had sold the real estate property subject of the dispute on 28/02/1440 AH. He clarified that the judicial claim related to the sale incident began some time ago, as the first claim was submitted before the General Court in Riyadh on 18/11/1442 AH, and he attached what proves this in the case file. The court ruled a lack of local jurisdiction, which resulted in the paper referral of the transaction to the General Court in Al Madinah Al Munawwarah on 28/03/1443 AH, which in turn ruled a lack of jurisdictional competence, according to what was stated in the judgment deed. The appellant pointed out that this sequence in filing the judicial lawsuit proves that his client did not delay in claiming his right, but rather was following up on the litigation procedures regularly and continuously, and that the delay in deciding the subject matter was due to procedural reasons beyond his control. The appellant also relied on Article (67) Paragraph (8) of the amended Income Tax Law, which stipulated that: "The lawsuit shall not be heard in tax disputes after the lapse of five years from the due date of the claimed amount or from the date of knowing the incident subject of the dispute, except in the case of an excuse acceptable to the Committee." Consequently, he believes that continuous legal follow-up in the courts during the statutory period is considered an acceptable excuse whose circumstances must be taken into consideration, and constitutes a justification for not strictly adhering to the stipulated period. He also relied on Paragraph (2) of Article (302) of the Civil Transactions Law, which stipulated that: "The period of non-hearing of the lawsuit is interrupted in the following cases: ... b- Judicial claim, even if before an incompetent court." The appellant maintains that the litigation procedures he undertook before the various judicial authorities are considered a fundamental reason for maintaining his right to claim, and constitute an acceptable statutory excuse for reconsidering the decision issued by the preliminary circuit. He concluded by requesting the acceptance of the appeal and the annulment of the Resolution Circuit's decision.

On Monday, 30/10/1446 AH, corresponding to 28/04/2025 AD, at 01:46 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. After reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and whereas the case is ripe for judgment in its current state, the Circuit decides to close the pleadings and reserve the case for adjudication.

Grounds

Whereas by reviewing the case documents and the submitted appeal brief, 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 appealed decision issued by the Resolution Circuit concluded with the non-hearing of the lawsuit due to the lapse of the prescribed period. The appellant argued in his appeal brief that his client had sold the real estate property subject of the dispute on 28/02/1440 AH. He clarified that the judicial claim related to the sale incident began some time ago, as the first claim was submitted before the General Court in Riyadh on 18/11/1442 AH, and he attached what proves this in the case file. The court ruled a lack of local jurisdiction, which resulted in the paper referral of the transaction to the General Court in Al Madinah Al Munawwarah on 28/03/1443 AH, which in turn ruled a lack of jurisdictional competence, according to what was stated in the judgment deed. The appellant pointed out that this sequence in filing the judicial lawsuit proves that his client did not delay in claiming his right, but rather was following up on the litigation procedures regularly and continuously, and that the delay in deciding the subject matter was due to procedural reasons beyond his control. The appellant also relied on Article (67) Paragraph (8) of the amended Income Tax Law, which stipulated that: "The lawsuit shall not be heard in tax disputes after the lapse of five years from the due date of the claimed amount or from the date of knowing the incident subject of the dispute, except in the case of an excuse acceptable to the Committee." Consequently, he believes that continuous legal follow-up in the courts during the statutory period is considered an acceptable excuse whose circumstances must be taken into consideration, and constitutes a justification for not strictly adhering to the stipulated period. He also relied on Paragraph (2) of Article (302) of the Civil Transactions Law, which stipulated that: "The period of non-hearing of the lawsuit is interrupted in the following cases: ... b- Judicial claim, even if before an incompetent court." The appellant maintains that the litigation procedures he undertook before the various judicial authorities are considered a fundamental reason for maintaining his right to claim, and constitute an acceptable statutory excuse for reconsidering the decision issued by the preliminary circuit.

And whereas it is established that the appellant registered his lawsuit before the General Court in Riyadh under No. (...) dated 28/03/1443 AH, corresponding to 03/11/2021 AD, and by verifying the judgment deed issued by the General Court in Riyadh, we find that he is claiming the value-added tax for the sale of the real estate pursuant to deed No. (...). After considering the lawsuit before the General Court in Riyadh, the file was sent to the General Court in Al Madinah Al Munawwarah because the lawsuit was referred to the General Court in Riyadh by mistake. It was then registered before the General Court in Al Madinah Al Munawwarah under No. (...). The Circuit decided in the session held on 07/07/1443 AH, corresponding to 08/02/2022 AD, to reject the lawsuit due to lack of jurisdictional competence, and the Circuit ordered the immediate issuance of the judgment, with the submission of objections beginning the next day, and the appeal period ending on 10/03/2022 AD. This proves the interruption of the running of the period for non-hearing of the lawsuit, as this interruption results in the commencement of calculating the period for non-hearing of the lawsuit anew for a period of five years. This leads the Circuit to conclude the acceptance of the appeal procedurally, the annulment of the Resolution Circuit's decision, and remanding the lawsuit to it for consideration according to what is explained in the grounds.

Based on 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-2025-246714
Case No	V-2024-246714

Keywords:

Value Added Tax – Tax Claims between Individuals or Legal Persons – Acceptance of the Appeal – Compelling payment of Value Added Tax.

Summary:

The Taxpayer's appeal against the appellee relating to Value Added Tax, wherein its request included the annulment of the Resolution Circuit's decision ruling to compel it to deliver a tax invoice satisfying the conditions for the entire real estate property subject of the dispute. It clarified that the company's ownership of the real estate property subject of the supply is limited to a percentage of 25% only, and that it had issued a separate tax invoice to the extent of its share. Whereas the Appeal Circuit based its decision on the statutory provisions and requirements set forth in the Implementing Regulations of the Value Added Tax Law, and it became evident to it after examining the invoice issued by the appellant that it did not satisfy the conditions due to the lack of some mandatory data such as the name and address of both the supplier and the customer, while its ownership was proven to be limited to the mentioned percentage; the effect of this is; acceptance of the appeal procedurally and on the merits, annulment of the Resolution Circuit's decision, and ruling de novo to compel the appellant to provide a tax invoice satisfying the conditions in accordance with the statutory requirements to the extent of its ownership of the real estate property amounting to 25% only.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Paragraph (5) of Article (53) of the Implementing Regulations of the Value Added Tax Law issued by the Resolution of the Board of Directors of the General Authority of Zakat and Tax No. (3839) dated 14 Dhu al-Hijjah 1438 AH.

Facts

Whereas the facts of this lawsuit have been set forth in the appealed decision, the Appeal Circuit refers to it to avoid repetition. And whereas the decision of the Resolution Circuit ruled as follows:

First: Acceptance of the lawsuit procedurally.

Second: On the merits: Compelling the Defendant, (...) Company, Commercial Registration No. (...), to deliver a tax invoice satisfying the conditions in accordance with the statement of the Plaintiff, (...), Commercial Registration No. (...), and rejecting all other requests.

Whereas this decision did not meet the acceptance of the appellant, it submitted an appeal brief to the Appeal Circuit including its objection to the Resolution Circuit's decision ruling to compel it to deliver a tax invoice satisfying the conditions. This was because the appealed decision stipulated compelling it to deliver a tax invoice satisfying the conditions although it was established to the Circuit that the company owns only (25%) of the real estate property, which confirms the company's lack of standing in this lawsuit, and the lawsuit should have been filed against the owner of the larger percentage of the real estate property who owns (75%). Furthermore, the company had issued a tax invoice for the percentage pertaining to it; therefore, the decision cannot be executed, which necessitates the annulment of the appealed Circuit's decision and ruling the Non-acceptance of the lawsuit for being filed against a party without standing. It concluded by requesting the acceptance of the appeal and the annulment of the Resolution Circuit's decision.

On Tuesday, 25/09/1446 AH, corresponding to 25/03/2025 AD, at 12:55 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. After reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, the Circuit decided to adjourn the consideration of the lawsuit for further study. The session concluded at exactly 01:30 PM.

On Monday, 14/11/1446 AH, corresponding to 12/05/2025 AD, at 03:25 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. After reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and whereas the case is ripe for judgment in its current state, the Circuit decides to close the pleadings and reserve the case for adjudication.

Grounds

Whereas by reviewing the case documents and the submitted appeal brief, 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 to compel the appellant to deliver a tax invoice satisfying the conditions. Whereas the appellant objects to the Resolution Circuit's decision because the appealed decision stipulated compelling it to deliver a tax invoice satisfying the conditions although it was established to the Circuit that the company owns only (25%) of the real estate property, which confirms the company's lack of standing in this lawsuit, and the lawsuit should have been filed against the owner of the larger percentage of the real estate property who owns (75%). Furthermore, the company had issued a tax invoice for the percentage pertaining to it; therefore, the decision cannot be executed, which necessitates the annulment of the appealed Circuit's decision and ruling the Non-acceptance of the lawsuit for being filed against a party without standing. Upon the Appeal Circuit's review of the lawsuit documents and the submitted defenses, it is established that the real estate property subject of the supply, proven by deed No. (...), was owned by the appellant at a percentage of (25%), and the sale was concluded from the owners of the real estate property, (...) Company, to (...) pursuant to the check dated 27/05/2019 AD issued in the name of the sellers. And whereas the appellant submitted the tax invoice issued to the extent of its ownership, and by comparing it with the statutory conditions set forth in Paragraph (5) of Article (53) of the Implementing Regulations of the Value Added Tax Law, it becomes evident that it did not include some requirements such as: the name and address of both the supplier and the customer, and other data stipulated in this paragraph. This leads the Appeal Circuit to conclude the acceptance of the appeal on the merits, annulment of the appealed Circuit's decision, and ruling to compel the appellant, (...) Company, to provide a tax invoice satisfying the conditions in accordance with the statutory requirements to the extent of its ownership of the real estate property subject of the supply at a percentage of (25%) to (...).

For these reasons and after statutory deliberation, 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-2024-237312), and ruling to compel the appellant / (...) Company, Commercial Registration No. (...), to provide a tax invoice satisfying the conditions in accordance with the statutory requirements to the extent of its ownership of the real estate property subject of the supply at a percentage of (25%) to (...), Commercial Registration No. (...).

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 – Tax Claims between Individuals or Legal Persons – Acceptance of the Appeal – Annulment of the Decision – Remanding the Case to the First-Instance Committee.

Summary:

The taxpayer appealed the decision of the Resolution Circuit for Value Added Tax Violations and Disputes. His request included the annulment of the issued decision, which had ruled the lawsuit inadmissible due to the lapse of the prescribed period regarding the remaining invoices subject to the claim. The taxpayer clarified the litigation path, noting that he had previously filed a lawsuit regarding the same subject matter of the dispute before the General Court in Makkah Al-Mukarramah, which ruled a lack of jurisdictional competence. This resulted in the interruption of the prescribed period throughout the period of review. Whereas the Appeal Circuit relied on the statutory rules requiring that the interruption of the prescribed period be calculated during the period the case was pending before the court until a final judgment was rendered; and whereas it was established to the Chamber—after excluding the period of interruption—that the total duration from the due date until the registration of the lawsuit did not exceed the five years prescribed by the regulations. Consequently, the appeal is procedurally admissible and on its merits, the decision of the Resolution Circuit is annulled, and the case is remanded back to it for consideration.

Document

- Paragraph (5) of Article (53) of the Implementing Regulations of the Value Added Tax Law, issued pursuant to the Decision of the Board of Directors of the General Authority of Zakat and Tax No. (3839) dated 14 Dhu al-Hijjah 1438H.
- Paragraph (8) of Article (67) of the Income Tax Law, enacted by Royal Decree No. (M/1) dated 15/1/1425H.
- Paragraph (3) of Article (37) of Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.

Facts:

Whereas the facts of this lawsuit have been set forth in the appealed decision, the Appeal Circuit refers to it to avoid repetition. Whereas the Resolution Circuit's decision therein ruled the following:

First: Procedurally:

1- Acceptance of the lawsuit regarding Invoice No. (...).
2- Non-hearing of the lawsuit due to the lapse of the prescribed period regarding the remaining invoices subject to the lawsuit.

Second: On the merits:

Compelling the Defendant / (...), National ID No. (...), to pay the Plaintiff / (...), National ID No. (...), an amount of (19,778.28) nineteen thousand seven hundred seventy-eight Riyals and twenty-eight Halalas, representing the tax amount arising from Tax Invoice No. (...).

Whereas this decision was not accepted by the Appellant, he submitted an appeal memorandum to the Appeal Circuit containing his objection to the decision of the Resolution Circuit which ruled the non-hearing of the lawsuit due to the lapse of the prescribed period regarding the remaining invoices subject to the lawsuit. This is on the grounds that this matter, pursuant to the Value Added Tax Law, pertains to the entitlement to deduct input Value Added Tax for the lessee (the Appellee), and does not pertain to the claim of the lessor (the Appellant) to compel the Appellee to pay the tax. In addition, the Appellant issued the tax invoices upon the lease payment due date and upon payment of the rent, recognized the revenue in his tax returns, and paid the due tax to the Authority. Furthermore, he filed a claim before the court, and Judgment Deed No. (...) dated 29/02/1444 AH was issued, which is deemed an accrual of the right and interrupts the periods referred to in Article Sixty-Seven of the Tax Law. He concluded with a request to accept the appeal and annul the decision of the Resolution Circuit.

On Wednesday, 08/12/1446 AH, corresponding to 04/06/2025 AD, at 04:00 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via videoconferencing in accordance with remote visual litigation procedures; based on the provisions of Paragraph (1) of Article Fifteen of the Rules of Operation for the Zakat, Tax and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH; and after reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and since the lawsuit is ready for adjudication in its current state, the Committee decides to close the pleadings and reserve the case for adjudication.

Grounds

Whereas, upon reviewing the case documents and the submitted appeal memorandum, it has been established to the Committee that the requirements for hearing the appeal have been met procedurally in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; accordingly, the appeal request is procedurally accepted for being submitted by an authorized capacity and within the statutory period prescribed therefor.

On the merits, upon the Appeal Circuit's review of the case papers and examination of the documents and instruments contained therein, and after reviewing the memoranda and responses submitted by both parties, it has been established to the Appeal Circuit that the decision issued by the Resolution Circuit ruled the non-hearing of the lawsuit due to the lapse of the prescribed period regarding the remaining invoices subject to the lawsuit. Whereas the Appellant objects to the decision of the Resolution Circuit on the grounds that this matter, pursuant to the Value Added Tax Law, pertains to the entitlement to deduct input Value Added Tax for the lessee (the Appellee), and does not pertain to the claim of the lessor (the Appellant) to compel the Appellee to pay the tax. In addition, the Appellant issued the tax invoices upon the lease payment due date and upon payment of the rent, recognized the revenue in his tax returns, and paid the due tax to the Authority. Furthermore, he filed a claim before the court, and Judgment Deed No. (...) dated 29/02/1444H was issued, which is deemed an accrual of the right and interrupts the periods referred to in Article Sixty-Seven of the Tax Law. Upon the Appeal Circuit's review of the appeal memorandum and the submissions of the parties during the memorandum-exchange phase, and whereas the Resolution Circuit based its decision on the non-hearing of the lawsuit on the grounds that the due date is linked to the date of issuing the invoice regarding the lease agreement from which the Value Added Tax arose; and by referring to the lease agreement, it is proven to be an annual lease containing installments with specified dates. Pursuant to Paragraph (1) of Article Twenty of the Implementing Regulations of the Value Added Tax Law, this is deemed a continuous supply. Whereas Paragraph (1) of Article Twenty of the Implementing Regulations of the Value Added Tax Law stipulates that: "In cases involving a continuous supply of services where the contract or agreement relating to the supply provides for payment in installments or periodic payments on specified dates and which leads to the successive issuance of invoices, the date of supply shall occur and tax shall become due on the earlier of the due date for payment of the installment, the date of actual payment, or the date of issuance of the invoice, and at least once in every consecutive twelve (12) month period." Whereas the lease agreement concluded between the parties to the dispute stipulated that the rental installment due dates shall be paid as follows: the first installment upon signing the agreement, the second installment on 20/09/1440 AH, the third installment on 20/12/1440 AH, and the fourth installment on 30/12/1440 AH; and whereas the Appellant pleaded that he had filed a lawsuit before the General Court in Makkah Al-Mukarramah under No. (...) on the same subject matter of the dispute against the Appellee, and the court concluded with a judgment of lack of jurisdictional competence regarding the Value Added Tax; and whereas the calculation of the period under Paragraph (8) of Article Sixty-Seven of the Income Tax Law requires the interruption of the prescribed period during the period the lawsuit was pending before the General Court until the issuance of the final judgment; and whereas it is established that the date of the first installment due under the lease agreement was on 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, the period from the due date of the first installment to the date of the commencement of the interruption of the prescribed period is (two years, eight months, and seven Gregorian days); and whereas the Court of Appeal in Makkah Al-Mukarramah region issued its judgment affirming the preliminary 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 Zakat, Tax and Customs Committees on 25/07/2024 AD; and whereas Paragraph (8) of Article Sixty-Seven of the Income Tax Law stipulates that: "Lawsuits on tax disputes shall not be heard after the lapse of five years from the due date of the amount subject to the claim, or from the date of knowing the fact subject to the dispute, unless there is an excuse acceptable to the Committee." Given that the period from the due date (the installment dates specified in the lease agreement) to the date the Appellant filed his lawsuit at the resolution stage after the interruption of the prescribed period did not exceed five years; and pursuant to Paragraph (3) of Article (Thirty-Seven) of the Rules of Operation for the Zakat, Tax and Customs Committees which stipulates: "3- If the Appeal Circuit decides to annul a decision of the Resolution Circuit regarding lack of jurisdiction, or accepting a secondary plea that prevented proceeding with the lawsuit, or the inadmissibility of hearing the lawsuit due to prior adjudication, or the non-hearing thereof due to the lapse of the statutory period, or Non-acceptance of the lawsuit procedurally, or the inadmissibility of the lawsuit due to it not being specified, it shall remand the lawsuit to the Resolution Circuit that issued the decision to examine its merits, unless the circumstances of the lawsuit are ready for adjudication, or the circumstances of the lawsuit require a prompt adjudication, or its subject matter is one on which decisions or principles of the Appeal Circuits have been established, in which case it may be adjudicated without referral." Since the Resolution Circuit did not adjudicate the merits of the lawsuit and concluded with a ruling of non-hearing of the lawsuit due to the lapse of the prescribed period, the Appeal Circuit concludes to accept the appeal on the merits, annul the appealed decision of the Committee, and remand the lawsuit to it for consideration in accordance with what is detailed in the grounds.

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

Decision

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

Second: Acceptance of the appeal on the merits, Annulment of the Decision of the appealed Circuit, and remanding it to the (First Circuit for the Resolution of Value Added Tax Violations and Disputes in Jeddah Governorate) for consideration in accordance with what is detailed 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-2025-265242

Case No. VT-2025-265242

Keywords:

Value Added Tax – Tax Claims between Individuals or Legal Persons – Partial acceptance of the appeal – Compelling the Delivery of the Tax Invoices.

Summary:

The Appellant's lawsuit against the Appellee (in his capacity as the trustee of the endowment) regarding Value Added Tax, wherein his objection focused on the decision of the Resolution Circuit ruling the non-hearing of his request to compel the Defendant to deliver the tax invoice for the third installment of the first lease year on the grounds of the limitation period. The course of litigation demonstrated his adherence to the non-expiration of the statutory period due to his continuous submission of formal communications, tickets, and statutory inquiries. Whereas the Appeal Circuit relied on the provisions of the Civil Transactions Law, which stipulate the interruption of the period for the non-hearing of a lawsuit by a judicial claim and the commencement of a new period from the date of issuance of the final judgment deed, it was established to the Committee that the claim for the invoice was not barred by the lapse of the prescribed period due to the interruption of the period by the previous judicial dispute concerning the same leased property. Furthermore, the Committee ruled that the requests for compensation and for reviewing the previous judgment fall outside the subject-matter jurisdiction of the committees. Consequently, the Appeal Circuit ruled: Acceptance of the appeal procedurally; and on the merits, Annulment of the Decision of the Resolution Circuit, and ruling anew to compel the Appellee to deliver the tax invoices for the lease installments of the first, second, and third years subject to the dispute, non-acceptance of the compensation claim procedurally, and dismissing the request to review the previous judgment for lack of jurisdiction.

Document

- Article (302-204) of the Civil Transactions Law issued by Royal Decree No. (M/191) dated 29/11/1444 AH.
- Paragraph (1) of Article (76) of the Law of Sharia Procedures issued by Royal Decree No. (M/1) dated 22/01/1435 AH.

Facts:

Whereas the facts of this lawsuit have been set forth in the appealed decision, the Appeal Circuit refers to it to avoid repetition. Whereas the Resolution Circuit's decision therein ruled the following:

First: Procedurally:

1- Acceptance of the Plaintiff's request to compel the Defendant to deliver the tax invoices for the rental installments due for the second and third lease years subject to the lawsuit.
2- Non-hearing of the Plaintiff's request to compel the Defendant to deliver the tax invoice for the third installment of the first lease year subject to the lawsuit due to the lapse of the prescribed period.
3- Non-acceptance of the Plaintiff's request to review Judgment No. (...) and Appeal No. (...) due to prior adjudication, as detailed in the grounds of the decision.

Second: On the merits:

Compelling the Defendant / (...), National ID No. (...), to deliver to the Plaintiff / (...), National ID No. (...), the tax invoices relating to the first, second, and third installments of the second lease year subject to the lawsuit, and the first, second, and third installments of the third lease year subject to the lawsuit, and dismissing any claims to the contrary.

Whereas this decision was not accepted by the Appellant, he submitted an appeal memorandum to the Appeal Circuit containing his objection to the decision of the Resolution Circuit which ruled the non-hearing of the Plaintiff's request to compel the Defendant to deliver the tax invoice for the third installment of the first lease year subject to the lawsuit due to the lapse of the prescribed period. This is on the grounds that he did not exceed the prescribed statutory period, noting that he had sent dozens of emails and tickets within one year following the issuance of the first decision against him to inquire about the claimed amount, which exceeded dozens of times the required tax. The response to the emails and tickets was that the trustee had been replaced. The Appellant further emphasized that he subsequently filed a petition for reconsideration regarding Decision No. (VTR-2023-90145), and concluded with a request to accept the appeal.

On Thursday, 19/03/1447 AH, corresponding to 11/09/2025 AD, at 12:30 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via videoconferencing in accordance with remote visual litigation procedures; based on the provisions of Paragraph (1) of Article Fifteen of the Rules of Operation for the Zakat, Tax and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH; and after reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and since the lawsuit is ready for adjudication in its current state, the Committee decides to close the pleadings and reserve the case for adjudication.

Grounds

Whereas, upon reviewing the case documents and the submitted appeal memorandum, it has been established to the Committee that the requirements for hearing the appeal have been procedurally met in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; accordingly, the appeal request is procedurally accepted for being submitted by an authorized capacity and within the statutory period prescribed therefor.

On the merits, upon the Appeal Circuit's review of the case papers and examination of the documents and instruments contained therein, and after reviewing the memoranda and responses submitted by both parties, it has been established to the Appeal Circuit that the decision issued by the Resolution Circuit ruled the non-hearing of the Plaintiff's request to compel the Defendant to deliver the tax invoice for the third installment of the first lease year subject to the lawsuit due to the lapse of the prescribed period. Whereas the Appellant objects to the decision of the Resolution Circuit on the grounds that he did not exceed the prescribed statutory period, noting that he had sent dozens of emails and tickets within one year following the issuance of the first decision against him to inquire about the claimed amount, which exceeded dozens of times the required tax. The response to the emails and tickets was that the trustee had been replaced. The Appellant further emphasized 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 submissions of the parties during the memorandum-exchange phase, and whereas the decision of the Resolution Circuit was based on the grounds that the due date of the tax invoice for the third installment of the first year was on 29/10/2019 AD and the filing of the claim was on 07/12/2024 AD, i.e., after the lapse of the five-year period from the due date; and whereas Article (302) of the Civil Transactions Law stipulates that: "The period for the non-hearing of a lawsuit shall be interrupted in the following cases: ... b- A judicial claim, even if filed before a non-competent court."; and whereas it has been established that there was a judicial lawsuit relating to the dispute over Lease Agreement No. (...) subject to those invoices, in which the preliminary judgment was issued on 24/03/1441 AH corresponding to 21/11/2019 AD, and the final judgment deed in this lawsuit was issued on 13/08/1443 AH corresponding to 16/03/2022 AD, indicating that the period was interrupted until the issuance of the aforementioned deed; and whereas Article (204) of the Civil Transactions Law stipulates that: "If the period for the non-hearing of a lawsuit is interrupted, a new period identical to the first period shall commence upon the expiration of the effect resulting from the cause of interruption."; accordingly, the lapse of the prescribed period ought to have been calculated from the date of the issuance of the deed, not the due date. Given that obtaining the tax invoice is an inherent right of the customer in light of his proof of payment of the price pursuant to the payment invoices of the enforcement proceedings, in addition to the Resolution Circuit's ruling Compelling the Appellee to deliver the remaining installments, namely (the tax invoices for the rental installments due for the second and third lease years); the Appeal Circuit concludes to rule Compelling the Appellee / (...) (Saudi

National), National ID No. (...), in his capacity as the trustee of the endowment, to deliver to the Appellant / (...) (Saudi National), National ID No. (...), the tax invoices relating to the third installment of the first lease year, the tax invoices relating to the first, second, and third installments of the second lease year, and the tax invoices relating to the first, second, and third installments of the third lease year.

With regard to the claim for compensation for damages resulting from the suspension of the Plaintiff's services, this Circuit has no jurisdiction to consider it.

With regard to the claim requesting the review of Judicial Judgment No. (...) and Appeal No. (...), upon the Appeal Circuit's review of the judicial judgment, it was established that it pertains to a lease claim between the parties to the lawsuit and falls outside the jurisdiction of this Circuit. Whereas Paragraph (1) of Article Seventy-Six of the Law of Sharia Procedures stipulates that: "A plea of lack of jurisdiction of the court due to lack of its authority or because of the type or value of the lawsuit, or a plea of inadmissibility of the lawsuit due to lack of capacity, eligibility, interest, or for any other reason, as well as a plea of inadmissibility of hearing the lawsuit due to prior adjudication, may be raised at any stage of the lawsuit and shall be ruled by the court on its own motion."; the Appeal Circuit concludes to reject the lawsuit with respect to the request to review the aforementioned judicial judgment.

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

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 as follows:

A. Procedurally:

Acceptance of the lawsuit procedurally with respect to the claim for the delivery of tax invoices.

Non-acceptance of the lawsuit procedurally with respect to the claim for compensation for damages resulting from the suspension of the Plaintiff's services.

Dismissing the lawsuit with respect to the request to review Judicial Judgment No. (...) and Appeal No. (4430858435).

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

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

Decision No VA-2025-247486

Case No. V-2025-247486

Keywords:

Value Added Tax – Tax Claims between Individuals or Legal Persons – Rejection of the Appeal – Affirmation of the Resolution Circuit's Decision.

Summary:

The mutual appeal between the juridical entity and the taxpayer regarding Value Added Tax, wherein the objection of the juridical entity focused on the decision of the Resolution Circuit Compelling it to pay the tax amount arising from the supply subject to the dispute, requesting a reduction of the value based on the Ministry of Finance's circular regarding continuous contracts; whereas the objection of the taxpayer focused on the Rejection of his request regarding the tax on attorney fees. Whereas the Appeal Circuit relied on the Rules of Operation for the Zakat, Tax and Customs Committees, which prescribe the appeal filing period to be thirty days from the day following the date specified for receiving the decision, and it was established to the Committee that the taxpayer filed his appeal after the expiration of the statutory period prescribed therefor. Furthermore, the Committee examined the Ministry's appeal and established that the appealed decision is in conformity with the provisions of the Law and its Implementing Regulations, and was based on sound and sufficient grounds to support its ruling, without being affected by the raised defenses. Consequently, the Appeal Circuit ruled: Acceptance of the appeal procedurally of the juridical entity and dismissing it on the merits; inadmissibility of the taxpayer's appeal Procedurally for being submitted after the statutory period; and Affirmation of the Resolution Circuit's Decision on its own grounds.

Document

- Paragraph (2) of Article (31) of Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.

Facts:

Whereas the facts of this lawsuit have been set forth in the appealed decision, the Appeal Circuit refers to it to avoid repetition. Whereas the Resolution Circuit's decision therein ruled the following:

First: Acceptance of the lawsuit procedurally.

Second: Compelling the Defendant / (...), TIN (...), to pay the Plaintiff / (...), Commercial Registration No. (...), an amount of (363,174.27) three hundred sixty-three thousand one hundred seventy-four Riyals and twenty-seven Halalas, representing the Value Added Tax on the supply subject to the lawsuit.

Third: Rejection of the Plaintiff's request regarding the Value Added Tax on attorney fees.

Whereas this decision was not accepted by both parties, the Appellant / (...) submitted an appeal memorandum to the Appeal Circuit containing her objection to the decision of the Resolution Circuit which ruled to compel her to pay the Value Added Tax on the supply amounting to (363,174.27) Riyals. She relies on Paragraph (1) of the Ministry of Finance's Circular No. (72637) dated 25/10/1441 AH, and pleads that the Value Added Tax should be calculated on the basis that the contracting is a continuous contract and continuous disbursement. The Appellant further noted the lack of clarity regarding the mechanism for calculating the Value Added Tax amount in the decision, as it relied on Paragraph (5) of Article (20) of the Implementing Regulations of the Value Added Tax Law. She concluded with a request to accept the appeal so that the Value Added Tax amount becomes (242,945.35) Riyals.

The Appellant / (...) also submitted an appeal memorandum to the Appeal Circuit, which was reviewed by the Committee, containing her request to accept the appeal and annul the decision of the Resolution Circuit.

On Wednesday, 29/12/1446 AH, corresponding to 25/06/2025 AD, at 02:17 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via videoconferencing in accordance with remote visual litigation procedures; based on the provisions of Paragraph (1) of Article Fifteen of the Rules of Operation for the Zakat, Tax and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH; and after reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and since the lawsuit is ready for adjudication in its current state, the Committee decides to close the pleadings and reserve the case for adjudication.

Grounds

With regard to the appeal submitted by / (...), upon reviewing the case documents and the submitted appeal memorandum, it has been established to the Committee that the requirements for hearing the appeal request have been procedurally met in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; accordingly, the appeal request is procedurally accepted for being submitted by an authorized capacity and within the prescribed statutory period.

With regard to the appeal submitted by / (...), whereas the period for appealing decisions issued by the Resolution Circuits for Tax Violations and Disputes, pursuant to the provisions of Paragraph (2) of Article

(Thirty-One) of the Rules of Operation for the Zakat, Tax and Customs Committees, is (thirty) days from the day following the date specified for receiving the decision; and whereas it is established from the case papers that the date specified for receiving the appealed decision was 15/01/2025 AD, while the Appellant submitted her appeal request on 19/02/2025 AD, i.e., after the expiration of the statutory period prescribed for its submission, which necessitates the non-acceptance of the appeal request procedurally.

On the merits, upon the Appeal Circuit's review of the case papers and examination of the documents and instruments contained therein, and after reviewing the memoranda and responses submitted by both parties, it has been established to the Appeal Circuit that the decision issued by the Resolution Circuit ruled to compel the Appellant / (...) to pay the Value Added Tax on the supply amounting to (363,174.27) Riyals. The Appellant objects to the decision of the Resolution Circuit, relying on Paragraph (1) of the Ministry of Finance's Circular No. (72637) dated 25/10/1441 AH, wherein she pleads that the Value Added Tax should be calculated on the basis that the contracting is a continuous contract and continuous disbursement, and noted the lack of clarity regarding the mechanism for calculating the Value Added Tax amount in the decision.

Whereas it is established that the appealed decision regarding the dispute under consideration is in conformity with the provisions of the Law and the sound grounds upon which it was based, which are sufficient to support its ruling, as the Circuit that issued the decision examined the core of the dispute therein and concluded with the result set forth in its operative part; and whereas the Appeal Circuit has not observed any matter requiring correction or comment in light of the defenses raised before this Circuit, it concludes that such defenses do not affect the outcome of the decision. Based on the foregoing, the Committee concludes to rule the Rejection of the appeal and the affirmation of the Resolution Circuit's Decision as to its findings, on its own grounds.

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

Decision

First: With regard to the appeal submitted by / (...), TIN (...):

1- Acceptance of the appeal procedurally.
2- On the merits, Rejection of the Appeal.

Second: With regard to the appeal submitted by / (...) Company, Commercial Registration No. (...), TIN (...):

Non-acceptance of the appeal procedurally.

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

Decision No VA-2025-246728

Case No. V-2024-246728

Keywords:

Value Added Tax – Tax Claims between Individuals or Legal Persons – Acceptance of the appeal – Obligation to Pay Value Added Tax.

Summary:

The appeal submitted by the taxpayer against the Appellee regarding Value Added Tax, wherein his objection focused on the decision of the Resolution Circuit ruling to reject his lawsuit on the merits regarding his request to compel the Appellee to pay the Value Added Tax amounts arising from the contracting agreement concluded between them. The taxpayer demonstrated that the tax became statutorily due upon the accrual of the entitlements pursuant to the issuance of a previous commercial appellate judgment establishing his rights under the project. Whereas the Appeal Circuit relied on the grounds that the issued commercial judgment is considered final in settling the dispute by determining the installments due for a period falling within the temporal scope of the application of the Value Added Tax Law, and which exceeded the mandatory supply threshold; and since the accessory follows the principal in its ruling, the tax is therefore payable to the taxpayer. Consequently, the Appeal Circuit ruled: Acceptance of the appeal procedurally and on the merits; Annulment of the Decision of the Resolution Circuit; and ruling anew to compel the Appellee to pay the taxpayer an amount of (7,402,500.00) Riyals.

Document

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

Facts:

Whereas the facts of this lawsuit have been set forth in the appealed decision, the Appeal Circuit refers to it to avoid repetition. Whereas the Resolution Circuit's decision therein ruled the following:

First: Acceptance of the lawsuit procedurally.

Second: On the merits: Rejection of the Plaintiff's lawsuit.

Whereas this decision was not accepted by the Appellant, she submitted an appeal memorandum to the Appeal Circuit containing her objection to the decision of the Resolution Circuit which ruled to reject her lawsuit on the merits regarding her request to compel the Appellee to pay an amount of (8,107,500) Riyals, representing the Value Added Tax on the contracting agreement concluded between the two parties. This is on the grounds that it is established in the Value Added Tax Law that the tax becomes due upon the supply of services, the issuance of a tax invoice, or the receipt of consideration. Furthermore, the Law does not stipulate that the filing of tax returns and the payment of tax require the issuance of invoices. Accordingly, the tax due to the Appellant Company became a liability upon the Appellee Company pursuant to the establishment of the Appellant Company's entitlements under the project by virtue of Judgment Deed No. (...) dated 04/11/1445 AH, issued by the Fourth Appeal Circuit of the Commercial Court in Jeddah in Case No. (...) dated 02/04/1445 AH, and she concluded with a request to accept the appeal and annul the decision of the Resolution Circuit.

On Sunday, 27/11/1446 AH, corresponding to 25/05/2025 AD, at 02:59 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded above, via videoconferencing in accordance with remote visual litigation procedures; based on the provisions of Paragraph (1) of Article Fifteen of the Rules of Operation for the Zakat, Tax and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH; and after reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and since the lawsuit is ready for adjudication in its current state, the Committee decides to close the pleadings and reserve the case for adjudication.

Grounds

Whereas, upon reviewing the case documents and the submitted appeal memorandum, it has been established to the Committee that the requirements for hearing the appeal have been procedurally met in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; accordingly, the appeal request is procedurally accepted for being submitted by an authorized capacity and within the statutory period prescribed therefor.

On the merits, upon the Appeal Circuit’s review of the case papers and examination of the documents and instruments contained therein, and after reviewing the memoranda and responses submitted by both parties, it has been established to the Appeal Circuit that the decision issued by the Resolution Circuit ruled to reject the Appellant's lawsuit on the merits regarding her request to compel the Appellee to pay an amount of (8,107,500) Riyals, representing the Value Added Tax on the contracting agreement concluded between the two parties. Whereas the Appellant objects to the decision of the Resolution Circuit on the grounds that it is established in the Value Added Tax Law that the tax becomes due upon the supply of services, the issuance of an invoice, or the receipt of consideration; furthermore, the Law does not stipulate that the filing of tax returns and the payment of tax require the issuance of invoices. Accordingly, the tax due to the Appellant Company became a liability upon the Appellee Company pursuant to the establishment of the Appellant Company's entitlements under the project by virtue of Judgment Deed No. (...) dated 04/11/1445 AH, issued by the Fourth Appeal Circuit of the Commercial Court in Jeddah in Case No. (...) dated 02/04/1445 AH.

Upon the Appeal Circuit's review of the case documents, it has been established that the judgment issued by the Fourth Appeal Circuit of the Commercial Court in Jeddah is considered final in settling the dispute between the parties by determining the installments due from 01/01/2018 AD until 15/08/2020G. Whereas that period falls within the temporal scope of the application of the Value Added Tax Law and has exceeded the mandatory supply threshold, and the Appellant submitted her Value Added Tax registration certificate; it is therefore established that the period subject to the dispute is subject to the provisions of this Law. Since the accessory follows the principal in its ruling, the tax is consequently payable to the Appellant. Accordingly, the Appeal Circuit concludes to accept the submitted appeal.

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

Decision

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

Second: On the merits, Acceptance of the appeal submitted by / (...) Company, Commercial Registration No. (...), Annulment of the decision No. (VR-2024-237389) issued by the First Circuit for the Resolution of Value Added Tax Violations and Disputes in Riyadh City, and ruling to compel the Appellee / (...), Commercial Registration No. (...), to pay (...) Company, Commercial Registration No. (...), an amount of (7,402,500.00) seven million four hundred two thousand five hundred Riyals.

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

Decision No VA-2025-243695

Case No. V-2025-243695

Keywords:

Value Added Tax – Tax Claims between Individuals or Legal Persons – Rejection of the Appeal – Affirmation of the Resolution Circuit's Decision.

Summary:

The appeal submitted by the entity against the taxpayer regarding Value Added Tax, wherein the objection of the establishment focused on the decision of the Resolution Circuit Compelling it to pay the taxpayer an amount of (124,863.73) Riyals representing the tax claim, pleading that the work execution certificates (progress bills) are not subject to the 15% rate based on the Ministry of Finance's circular. Whereas the Appeal Circuit relied on the grounds that the appealed decision is in conformity with the provisions of the Law and was based on sound and sufficient grounds to support its ruling, after examining the core of the dispute therein, without being affected by the raised defenses. Consequently, the Appeal Circuit ruled: Acceptance of the establishment's appeal procedurally and rejection thereof on the merits; and Affirmation of the Resolution Circuit's Decision on its own grounds.

Document

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

Facts:

Whereas the facts of this lawsuit have been set forth in the appealed decision, the Appeal Circuit refers to it to avoid repetition. Whereas the Resolution Circuit's decision therein ruled the following:

First: Acceptance of the lawsuit procedurally.

Second: On the merits: Compelling the Defendant / (...) to pay the Plaintiff / (...), National ID No. (...), in his capacity as the owner of (...) Establishment, Commercial Registration No. (...), an amount of (124,863.73) one hundred twenty-four thousand eight hundred sixty-three Riyals and seventy-three Halalas, representing the value of the tax claim subject to the lawsuit.

Whereas this decision was not accepted by the Appellant, she submitted an appeal memorandum to the Appeal Circuit containing her objection to the decision of the Resolution Circuit which ruled to compel her to pay the Appellee an amount representing the value of the tax claim subject to the lawsuit, on the grounds that the tax amount should be calculated based on the execution period of the works for the progress certificates (work execution certificates), and not on the date of their submission. The Appellant noted that the execution period of the works for progress certificates No. (6) and No. (7) does not fall within the period of application of the 15% Value Added Tax rate, in accordance with the provisions of the Minister of Finance's Circular No. (72637) dated 25/10/1441 AH, and she concluded with a request to accept the appeal.

On Wednesday, 25/10/1446 AH, corresponding to 23/04/2025 AD, at 02:36 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via videoconferencing in accordance with remote visual litigation procedures; based on the provisions of Paragraph (1) of Article Fifteen of the Rules of Operation for the Zakat, Tax and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH; and after reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, the Committee decided to adjourn the consideration of the case for further study. The session was concluded at 03:04 PM.

On Monday, 06/12/1446 AH, corresponding to 02/06/2025 AD, at 01:50 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via videoconferencing in accordance with remote visual litigation procedures; based on the provisions of Paragraph (1) of Article Fifteen of the Rules of Operation for the Zakat, Tax and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH; and after reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, the Committee decided to adjourn the consideration of the case for further study. The session was concluded at 02:47 PM.

On Tuesday, 28/12/1446 AH, corresponding to 24/06/2025 AD, at 02:45 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via videoconferencing in accordance with remote visual litigation procedures; based on the provisions of Paragraph (1) of Article Fifteen of the Rules of Operation for the Zakat, Tax and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH; and after reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, the Committee requested the Secretariat to direct the Appellee / (...), National ID No. (...), to submit a statement clarifying whether there are any supplies made after 30 June 2021 AD, and detailing their specifics, within one week from the date thereof. The session was concluded at 03:04 PM.

On Sunday, 11/01/1447 AH, corresponding to 06/07/2025 AD, at 12:30 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via videoconferencing in accordance with remote visual litigation procedures;

based on the provisions of Paragraph (1) of Article Fifteen of the Rules of Operation for the Zakat, Tax and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH; and after reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and since the lawsuit is ready for adjudication in its current state, the Committee decides to close the pleadings and reserve the case for adjudication.

Grounds

Whereas, upon reviewing the case documents and the submitted appeal memorandum, it has been established to the Committee that the requirements for hearing the appeal Procedurally have been met in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; accordingly, the appeal request is accepted Procedurally for being submitted by an authorized capacity and within the statutory period prescribed therefor.

On the merits, upon the Appeal Circuit's review of the case papers and examination of the documents and instruments contained therein, and after reviewing the memoranda and responses submitted by both parties, it has been established to the Appeal Circuit that the decision issued by the Resolution Circuit ruled to compel the Appellant to pay the Appellee an amount representing the value of the tax claim subject to the lawsuit. Whereas the Appellant objects to the decision of the Resolution Circuit on the grounds that the tax amount should be calculated based on the execution period of the works for the progress certificates (work execution certificates), and not on the date of their submission, and the Appellant noted that the execution period of the works for progress certificates No. (6) and No. (7) does not fall within the period of application of the 15% Value Added Tax rate, in accordance with the provisions of the Minister of Finance's Circular No. (72637) dated 25/10/1441 AH.

Whereas it is established that the appealed decision regarding the dispute under consideration is in conformity with the provisions of the Law and the sound grounds upon which it was based, which are sufficient to support its ruling, as the Circuit that issued the decision examined the core of the dispute therein and concluded with the result set forth in its operative part; and whereas the Appeal Circuit has not observed any matter requiring correction or comment in light of the defenses raised before this Circuit, it concludes that such defenses do not affect the outcome of the decision. Based on the foregoing, the Committee concludes to rule the Rejection of the appeal and the affirmation of the Resolution Circuit's Decision as to its findings, on its own grounds.

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

Decision

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

Second: Rejection of the Appeal submitted by / (...) on the merits.

Value Added Tax – Supplies Subject to Value Added Tax

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

Decision No VA-2025-238159

Case No. V-2024-238159

Keywords:

Value Added Tax – Supplies subject to tax – Acceptance of the taxpayer's appeal – Annulment of the Decision of the Resolution Circuit – Annulment of the Authority's decision and the Penalty Resulting Therefrom.

Summary:

The lawsuit submitted by the Appellant against the Appellee regarding Value Added Tax, wherein his objection focused on the decision of the Resolution Circuit ruling that it lacks subject-matter jurisdiction to hear the case. The litigation history demonstrated the Appellant's entitlement to have his business activity revenues subjected to both the standard rate and the zero rate, with the Appeal Circuit intending to adjudicate the merits directly in pursuit of swift justice. Whereas the Appeal Circuit relied on the grounds that the Appellee's violation of the provisions of Article (23) of the Unified VAT Agreement regarding the date of tax due date was established, and that the Appellee subjected the entirety of the discrepancies without presenting evidence to refute the Appellant's documents. Consequently, the Appeal Circuit ruled: Acceptance of the appeal procedurally; Annulment of the Decision of the Resolution Circuit; and ruling anew to annul the Appellee's decision concerning the item of domestic sales subject to tax at the standard rate, as well as the penalty for error in the return. and the penalty for late payment.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- The Value Added Tax Law issued by the Royal Decree No. (M/113) dated 02/11/1438 AH.
- Article (23) of the Unified Value Added Tax Agreement for the Cooperation Council for the Arab States of the Gulf, approved by the esteemed Royal Decree No. (M/51) dated 03/05/1438 AH.

Facts:

Since the facts of this case have been set forth in the appealed decision, the Appeal Circuit refers thereto to avoid repetition. Whereas the Resolution Circuit's Decision No. (VTR-2022-1551) dated 13/11/2022 AD ruled as follows:

Annulment of the Defendant's decision and the consequences resulting therefrom.

Thereafter, the Appeal Circuit's Decision No. (VA-2023-162545) dated 31/10/2023 AD ruled as follows:

First: Acceptance of the appeal procedurally submitted by the Zakat, Tax and Customs Authority for being submitted within the statutory period prescribed therefor.

Second: On the merits, Acceptance of the appeal submitted by the Zakat, Tax and Customs Authority, Annulment of the decision No. (VTR-2022-1551) issued by the Third Circuit for the Resolution of Value Added Tax Violations and Disputes in Riyadh City, and remanding the case to it for consideration in light of the grounds set forth in the decision.

Subsequently, the Resolution Circuit's Decision No. (VTR-2024-70573) dated 19/05/2024 AD ruled as follows:

The Committee lacks subject-matter jurisdiction to hear the case.

Based on the foregoing, and in order to limit prolonged litigation and achieve swift justice, the Appeal Circuit decided to consider the submitted objection on the merits in the first instance.

Whereas this decision was not accepted by the Appellant, she submitted an appeal memorandum to the Appeal Circuit containing her objection to the decision of the Resolution Circuit regarding her 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. This is on the grounds that the nature of her activity is conducting shipping agency businesses related to the international transport of goods and passengers to and from the Kingdom, and therefore the nature of the revenues is subject to tax at both the standard rate and the zero rate. Furthermore, she submitted a statement of discrepancies, Excel files, and correspondences with the Authority, and she concluded with a request to accept the appeal and annul the decision of the Resolution Circuit.

On Monday, 16/10/1446 AH, corresponding to 14/04/2025 AD, at 12:47 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via videoconferencing in accordance with remote visual litigation procedures; based on the provisions of Paragraph (1) of Article Fifteen of the Rules of Operation for the Zakat, Tax and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH; and after reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, the Committee decided to adjourn the consideration for further study. The session was concluded at 01:20 PM.

On Sunday, 13/11/1446 AH, corresponding to 11/05/2025 AD, at 02:15 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via videoconferencing in accordance with remote visual litigation procedures; based on the provisions of Paragraph (1) of Article Fifteen of the Rules of Operation for the Zakat, Tax and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH; and after reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, the Committee decided to adjourn the consideration of the case for further study. The session was concluded at 02:34 PM.

On Tuesday, 07/12/1446 AH, corresponding to 03/06/2025 AD, at 04:00 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via videoconferencing in accordance with remote visual litigation procedures; based on the provisions of Paragraph (1) of Article Fifteen of the Rules of Operation for the Zakat, Tax and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH; and after reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and since the lawsuit is ready for adjudication in its current state, the Committee decides to close the pleadings and reserve the case for adjudication.

Grounds

Whereas, upon reviewing the case documents and the submitted appeal memorandum, it has been established to the Committee that the requirements for hearing the appeal as to procedure have been met in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; accordingly, the appeal request is procedurally accepted for being submitted by an authorized capacity and within the statutory period prescribed therefor.

On the merits, upon the Appeal Circuit's review of the case papers and examination of the documents and instruments contained therein, and after reviewing the memoranda and responses submitted by both parties, it has been established to the Appeal Circuit that the decision issued by the Resolution Circuit ruled on 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. Whereas the Appellant objects to the decision of the Resolution Circuit on the grounds that the nature of her activity is conducting shipping agency businesses related to the international transport of goods and passengers to and from the Kingdom, and therefore the nature of the revenues is subject to tax at both the standard rate and the zero rate; furthermore, she submitted a statement of discrepancies, Excel files, and correspondences with the Authority. Upon the Appeal Circuit's review of the case documents and consideration of its facts, whereas it is established that the Authority subjected the entirety of the discrepancies of the year 2018 AD to tax in violation of the provisions of Article (23) of the Unified Value Added Tax Agreement for the Cooperation Council for the Arab States of the Gulf, which addresses the date of tax due date; and whereas the provisions of Article (23) of the aforementioned

Agreement were not observed regarding the application of the tax due date to the payment, the date of completion of supply, or the date of issuance of the invoice, whichever is earlier, nor were the nature of the supplies and the application of the correct tax treatment observed in a manner that reflects the reality of the return for the tax period; and furthermore, the Authority failed to submit any evidence proving the validity of its procedure and merely pleaded that the Appellant did not provide a justification regarding the discrepancies; and whereas the Appellant submitted a number of documents and Excel files in the case file, and the Authority did not express its view or contest the validity of the documents submitted in the case file; accordingly, the Appeal Circuit concludes to annul the appealed decision of the Committee and to annul the Authority's decision concerning the item of domestic sales subject to tax at the standard rate.

With regard to the penalty for error in the return. and the penalty for late payment, and the Appellant's request to annul those Penalties resulting from the final assessment notice for the tax period subject to the dispute; whereas the aforementioned item has led to the acceptance of the appeal, and since the Penalties resulted therefrom, that which is associated with it shall take its same ruling. Accordingly, the Appeal Circuit concludes to accept the appeal regarding the appealed Penalties.

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

Decision

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

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

Third: On the merits:

Annulment of the Authority’s decision concerning the item of domestic sales subject to tax at the standard rate.

Annulment of the Authority’s decision concerning the item of the penalty for error in the return..

Annulment of the Authority’s decision concerning the item of the penalty for late payment.

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

Decision No VA-2025-240738

Case No. V-2024-240738

Keywords:

Value Added Tax – Supplies subject to tax – Partial Acceptance of the taxpayer's appeal – Rejection of the Authority's appeal – Exempt Activity – Personal Transfers.

Summary:

The cross-appeals submitted by both parties regarding Value Added Tax on discrepancies in bank deposits, wherein the Appeal Circuit ruled to reject the appeal of the first party and to affirm the decision of the Resolution Circuit regarding the exclusion of amounts related to supplies made prior to the entry into force of the Law, owing to the soundness of its grounds. Meanwhile, the Committee partially accepted the appeal of the other party by canceling the tax application on the item of personal and family transfers amounting to (652,000) Riyals, as their nature was established pursuant to bank statements and declarations. Conversely, the Committee affirmed the refusal to exempt the remaining deposits on the grounds that the raised defenses do not affect the appealed decision.

Document

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

Facts:

Whereas the facts of this lawsuit have been set forth in the appealed decision, the Appeal Circuit refers to it to avoid repetition. Whereas the Resolution Circuit's decision therein ruled the following:

First: Acceptance of the lawsuit procedurally.

Second: On the merits:

Acceptance of the Plaintiff's lawsuit regarding the amount of (2,679,854.75) Riyals related to imposing Value Added Tax on bank deposits pertaining to supplies made prior to 01/01/2018 AD, and rejection of the remainder of the claim for the tax period of the fourth quarter of the year 2018 AD.

Whereas this decision was not accepted by both parties, the Appellant (Zakat, Tax and Customs Authority) submitted an appeal memorandum to the Appeal Circuit containing its objection to the decision of the Resolution Circuit which ruled to exclude an amount of (2,679,854.75) Riyals from the item of domestic sales subject to tax at the standard rate of 5% for the tax period of the fourth quarter of the year 2018 AD. This is on the grounds that the Appellee does not hold a commercial registration related to financing activities, nor did he submit a license to practice financing businesses, which constitutes primary evidence against the validity of the Appellee's assertion that these transactions pertain to Tawarruq (monetization) activities; particularly since he failed to provide supporting documents proving the essential details of the Tawarruq activity, such as (the schedules of installment payments and the third party in the Tawarruq transaction), and failed to prove the documentary cycle of the Tawarruq activity. Furthermore, the Resolution Circuit's Decision relied on an insufficient sample to verify the validity of the Appellee's claims, especially given that the selected sample was provided by the taxpayer rather than the Authority, as he submitted limited documents of his own choosing which cannot be relied upon; hence, the Committee's inference of the validity of the Appellee's claim based on a sample selected by him does not conform to International Standards on Auditing. The Authority concluded with a request to accept the appeal and annul the decision of the Resolution Circuit.

The Appellant / (...) also submitted an appeal memorandum to the Appeal Circuit containing his objection to the decision of the Resolution Circuit which ruled to reject his lawsuit regarding his objection to the Appellee's (the Authority) addition of an amount of (1,587,611.25) Riyals to the item of domestic sales subject to tax at the standard rate for the period of the fourth quarter of the year 2018 AD. This is on the grounds that supply is defined under the Agreement as any form of supply of goods and services for consideration, which does not apply to the advances transferred to his accounts, as they constitute personal transfers that have no relation to any supply. This relates to the personal deposits and transfers between accounts amounting to (652,000) Riyals, and to the deposits of the tax-exempt activity amounting to (935,611.25) Riyals; given that the payment due dates and their values are specified at the beginning of each contract, and the Tawarruq contracts were previously submitted, being fully integrated in their essential elements and establishing their legal effects. Regarding the third party in the Tawarruq transaction, the goods are not physically delivered to the customer, as the customer's purpose is to benefit from the received funds, and the inclusion of the commodity in the contracts and the temporary transfer of its ownership is solely to validate the legitimacy of the Tawarruq transaction. In addition, the activity during that period was practiced under the license issued by the Ministry of Commerce, which was the applicable procedural practice by the Ministry of Commerce at that date. Regarding the proof that the ownership of the vehicle belongs to the trader, the goods are not physically delivered to the customer, as the customer's purpose is to benefit from the received funds, and the presence of the commodity in the contracts and the temporary transfer of its ownership is only to validate the legitimacy of the Tawarruq; thus, the Tawarruq is executed using the same customs card and without issuing a vehicle registration certificate due to the absence of an actual supply. Furthermore, the exempt revenues were not disclosed in the tax return because he was not registered for tax as his supplies had not reached the mandatory registration threshold. He concluded with a request to accept the appeal and annul the decision of the Resolution Circuit.

On Thursday, 28/08/1446 AH, corresponding to 27/02/2025 AD, at 01:24 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via videoconferencing in accordance with remote visual litigation procedures; based on the provisions of Paragraph (1) of Article Fifteen of the Rules of Operation for the Zakat, Tax and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH; and after reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and since the lawsuit is ready for adjudication in its current state, the Committee decides to close the pleadings and reserve the case for adjudication.

Grounds

Whereas, upon reviewing the case documents and the submitted appeal memoranda, it has been established to the Committee that the requirements for hearing both appeal requests have been procedurally met in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; accordingly, both appeal requests are procedurally accepted for being submitted by an authorized capacity and within the prescribed statutory period.

On the merits, upon the Appeal Circuit's review of the case papers and examination of the documents and instruments contained therein, and after reviewing the memoranda and responses submitted by both parties, it has been established to the Appeal Circuit that the decision issued by the Resolution Circuit ruled to exclude an amount of (2,679,854.75) Riyals from the item of domestic sales subject to tax at the standard rate of 5% for the tax period of the fourth quarter of the year 2018 AD. Whereas the Appellant (the Zakat, Tax and Customs Authority) objects to the decision of the Resolution Circuit on the grounds that the Appellee does not hold a commercial registration related to financing activities, nor did he submit a license to practice financing businesses, which constitutes primary evidence against the validity of the Appellee's assertion that these transactions pertain to Tawarruq (monetization) activities; particularly since he failed to provide supporting documents proving the essential details of the Tawarruq activity, such as (the schedules of installment payments and the third party in the Tawarruq transaction), and failed to prove the documentary cycle of the Tawarruq activity. Furthermore, the Resolution Circuit's Decision relied on an insufficient sample to verify the validity of the Appellee's claims, especially given that the selected sample was provided by the taxpayer rather than the Authority, as he submitted limited documents of his own choosing which cannot be relied upon; hence, the Committee's inference of the validity of the Appellee's claim based on a sample selected by him does not conform to International Standards on Auditing. However, whereas it is established that the appealed decision regarding the dispute under consideration is in conformity with the provisions of the Law and the sound grounds upon which it was based, which are sufficient to support its ruling, as the Circuit that issued the decision examined the core of the dispute therein and concluded with the result set forth in its operative part; and whereas the Appeal Circuit has not observed any matter requiring correction or comment in light of the defenses raised before this Circuit, it concludes that such defenses do not affect the outcome of the decision. Based on the foregoing, the Committee concludes to rule the Rejection of the appeal and the affirmation of the Resolution Circuit's Decision as to its findings, on its own grounds.

With regard to the appeal submitted by (...) against the decision of the Resolution Circuit which ruled to annul his lawsuit concerning his objection to the Appellee's (the Authority) addition of an amount of (1,587,611.25) Riyals to the item of domestic sales subject to tax at the standard rate for the period of the fourth quarter of the year 2018 AD, and whereas he objects to the decision of the Resolution Circuit on the grounds that supply is defined under the Agreement as any form of supply of goods and services for consideration, which does not apply to the advances transferred to his accounts, as they constitute personal transfers that have no relation to any supply—this concerns the personal deposits and transfers between accounts amounting to (652,000) Riyals. Upon the Appeal Circuit's review of the case documents, and whereas the Appellant indicates in his appeal memorandum that these amounts are personal advances and inter-account transfers between his own accounts, and he submitted a bank statement, declarations from the transferors specifying the purpose of the transfer, and proof of kinship confirming that these are personal family transfers; and by reference to the files submitted in the case record, it is established that the Appellant submitted a bank statement from (...) for the period from 01/01/2018 AD to 01/07/2021 AD, which proves that the incoming transfers to his account consist of a transfer from his daughter in the amount of (100,000) Riyals dated 25/11/2018 AD, and another transfer in the amount of (500,000) Riyals dated 19/12/2018 AD, totaling an amount of (600,000) Riyals, in addition to an incoming transfer from the Appellant's father (...) in the amount of (52,000) Riyals. The Appellant also submitted a written declaration signed by his father stating that these transfers are personal. Accordingly, the Appeal Circuit concludes to accept the appeal with respect to the amount of (652,000) Riyals.

With regard to the objection of the Appellant (...) to the deposits of the tax-exempt activity amounting to (935,611.25) Riyals, on the grounds that the payment due dates and their values are specified at the beginning of each contract, and the Tawarruq contracts were previously submitted, being fully integrated in their essential elements and establishing their legal effects; and regarding the third party in the Tawarruq transaction, the goods are not physically delivered to the customer, as the customer's purpose is to benefit from the received funds, and the inclusion of the commodity in the contracts and the temporary transfer of its ownership is solely to validate the legitimacy of the Tawarruq transaction; in addition, the activity during that period was practiced under the license issued by the Ministry of Commerce, which was the applicable procedural practice by the Ministry of Commerce at that date; and regarding the proof that the ownership of the vehicle belongs to the trader, the goods are not physically delivered to the customer, as the customer's purpose is to benefit from the received funds, and the presence of the commodity in the contracts and the temporary transfer of its ownership is only to validate the legitimacy of the Tawarruq, and thus the Tawarruq is executed using the same customs card and without issuing a vehicle registration certificate due to the absence of an actual supply, and the exempt revenues were not disclosed in the tax return because he was not registered for tax as his supplies had not reached the mandatory registration threshold.

Whereas it is established that the appealed decision regarding the dispute under consideration is in conformity with the provisions of the Law and the sound grounds upon which it was based, which are sufficient to support its ruling, as the Circuit that issued the decision examined the core of the dispute therein and concluded with the result set forth in its operative part; and whereas the Appeal Circuit has not observed any matter requiring correction or comment in light of the defenses raised before this Circuit, it concludes that such defenses do not affect the outcome of the decision. Based on the foregoing, the Committee concludes to rule the Rejection of the appeal and the affirmation of the Resolution Circuit's Decision as to its findings, on its own grounds.

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

Decision

First: With regard to the appeal submitted by the Zakat, Tax and Customs Authority:

Acceptance of the appeal procedurally.

Rejection of the Appeal concerning the item of domestic sales subject to tax at the standard rate amounting to (2,679,854.75) Two Million, Six Hundred and Seventy-Nine Thousand, Eight Hundred and Fifty-Four Riyals and Seventy-Five Halalas, and Affirmation of the Resolution Circuit's Decision.

Second: With regard to the appeal submitted by / (...), National ID No. (...):

Acceptance of the appeal procedurally.

Acceptance of the appeal concerning the item of imposing Value Added Tax on personal deposits and inter-account transfers amounting to (652,000) Six Hundred and Fifty-Two Thousand Riyals, Annulment of the Decision of the Resolution Circuit, and Annulment of the Authority's decision in this regard.

Rejection of the Appeal concerning the item of imposing Value Added Tax on a tax-exempt activity amounting to (935,611.25) Nine Hundred and Thirty-Five Thousand, Six Hundred and Eleven Riyals and Twenty-Five Halalas, and Affirmation of the Resolution Circuit'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-2025-242107

Case No. V-2024-242107

Keywords:

Value Added Tax – Supplies subject to tax – Partial Acceptance of the taxpayer's appeal – Amendment of the Circuit's Decision Regarding the penalty for error in the return – Amendment of the Circuit's Decision Regarding the Penalty for Late Payment.

Summary:

The lawsuit submitted by the Appellant against the Appellee regarding Value Added Tax, wherein his objection focused on the decision of the Resolution Circuit ruling to reject his case concerning the adjustment of the assessment of both domestic sales and local purchases items and their associated Penalties for the tax period of the fourth quarter of the year 2020 AD. The litigation history demonstrated the submission of defenses and documents proving that a portion of the sales represents inter-account transfers, alongside the submission of statements and invoices supporting the eligibility to deduct the excluded purchases. Whereas the Appeal Circuit relied on the grounds of the Appellee's acknowledgment of a portion of the amounts, and the verification that the Appellant incurred input tax on the remaining purchases, contrasted with the insufficiency of his documents to prove the remainder of the sales. Consequently, the Appeal Circuit ruled: Acceptance of the appeal procedurally; and on the merits, establishing the settlement of the dispute regarding a portion of both the sales and purchases items, accepting the remaining purchases in the amount of (2,891,997.36) Riyals, and dismissing the remainder of the claim.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Article (14) and Paragraph (7/c) of Article (49) of the Implementing Regulations of the Value Added Tax Law, issued pursuant to the Board of Directors of the General Authority of Zakat and Tax Decision No. (3839) dated 14 Dhul-Hijjah 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, approved by Royal Decree No. (M/51) dated 03/05/1438 AH.

- Paragraph (2) of Article (42) and Article (43) of the Value Added Tax Law issued by the Royal Decree No. (M/113) dated 02/11/1438 AH .

Facts:

Whereas the facts of this lawsuit have been set forth in the appealed decision, the Appeal Circuit refers to it to avoid repetition. Whereas the Resolution Circuit's decision therein ruled the following:

First: acceptance of the lawsuit Procedurally.

Second: On the merits:

1- Rejection of the Plaintiff's lawsuit concerning the item of domestic sales subject to the standard rate in the amount of (1,426,728.82) Riyals, with its associated tax amounting to (214,009.32) Riyals for the tax period of the fourth quarter of the year 2020 AD.
2- Rejection of the Plaintiff's lawsuit regarding the request to annul the Defendant's (the Authority) procedure in excluding purchases subject to the standard rate of (15%) in the amount of (3,087,057.23) Riyals, with its associated tax amounting to (463,058.5) Riyals for the tax period of the fourth quarter of the year 2020 AD.
3- Rejection of the Plaintiff's lawsuit concerning the penalty for error in the return. resulting from the assessment notice for the tax period of the fourth quarter of the year 2020 AD.
4- Rejection of the Plaintiff's lawsuit concerning the penalty for late payment resulting from the assessment notice for the tax period of the fourth quarter of the year 2020 AD.

Whereas this decision was not accepted by the Appellant, he submitted an appeal memorandum to the Appeal Circuit containing his objection to the decision of the Resolution Circuit which ruled to reject his lawsuit. This concerns his objection to the Appellee's decision to subject an amount of (1,426,728.82) Riyals under the item of domestic sales subject to the standard rate, bringing its associated tax to (214,009.32) Riyals for the tax period of the fourth quarter of the year 2020 AD. The Appellant pleaded that the Committee's reasoning was deficient, and that the discrepancies mentioned therein between the trial balance and the tax return are incorrect; as these discrepancies constitute a received discount (earned discount) which is clearly detailed in the submitted trial balance. He pointed out that he had submitted all the required documents during both the audit and the lawsuit stages, and that the Authority bears the responsibility for failing to deliver them to the auditor. The appeal memorandum also included the Appellant's objection to the decision of the Resolution Circuit which ruled to reject his lawsuit regarding his objection to the Appellee's decision to exclude purchases subject to the standard rate of (15%) in the amount of (3,087,057.23) Riyals, with its associated tax amounting to (463,058.5) Riyals for the tax period of the fourth quarter of the year 2020 AD. The Appellant pleaded that the Resolution Circuit disregarded the documents submitted by him, and that he had provided all the required documents during both the audit and the lawsuit stages, and that the Authority bears the responsibility for failing to deliver them to the auditor. The appeal memorandum further included the Appellant's objection to the decision of the Resolution Circuit which ruled to reject his lawsuit regarding his objection to the Appellee's decision to impose the penalty for error in the return. and the penalty for late payment, and he concluded with a request to accept the appeal and annul the decision of the Resolution Circuit.

On Sunday, 13/11/1446 AH, corresponding to 11/05/2025 AD, at 04:08 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via videoconferencing in accordance with remote visual litigation procedures; based on the provisions of Paragraph (1) of Article Fifteen of the Rules of Operation for the Zakat, Tax and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH; and after reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and since the lawsuit is ready for adjudication in its current state, the Committee decides to close the pleadings and reserve the case for adjudication.

Grounds

Whereas, upon reviewing the case documents and the submitted appeal memorandum, it has been established to the Committee that the requirements for hearing the appeal have been procedurally met in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; accordingly, the appeal request is procedurally accepted for being submitted by an authorized capacity and within the statutory period prescribed for its execution.

On the merits, upon the Appeal Circuit's review of the case papers and examination of the documents and instruments contained therein, and after reviewing the memoranda and responses submitted by both parties, it has been established to the Appeal Circuit that the Appellant objects to the decision of the Resolution Circuit which ruled to reject his lawsuit concerning his objection to the Appellee's decision to subject an amount of (1,426,728.82) Riyals under the item of domestic sales subject to the standard rate, bringing its associated tax to (214,009.32) Riyals for the tax period of the fourth quarter of the year 2020 AD. Whereas Article (14) of the Implementing Regulations of the Value Added Tax Law stipulates that: "Without prejudice to Article Two of the Law, and for the purposes of applying 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 on those received by any Taxable Person in the Kingdom in cases where the Annul Charge Mechanism applies, and on the importation of Goods into the Kingdom."

Upon reviewing the case file and its contents, it has been established to the Committee that the Appellee reassessed the tax period subject to the dispute due to the non-submission of the required documents; whereas the Appellant declared an amount of (3,885,842.90) Riyals under the item of sales subject to tax at the rate of 15%, and the Appellee reassessed the tax period and subjected an amount of (1,426,728.82) Riyals to tax. By reference to the basis of the Resolution Circuit's Decision, it concluded with a Rejection due to the failure to submit an analytical statement of the amounts received in the bank statement along with samples of sales invoices.

Upon reviewing the documents submitted by the Appellant, he provided a file titled "(Analysis of Bank Deposits and Trial Balance)". Upon reviewing its contents, he stated that the discrepancy between the sales as per the trial balance amounting to (3,968,891.01) Riyals and what was declared amounting to (3,885,842.90) Riyals—valued at (83,048.11) Riyals—constitutes a received discount appearing in the trial balance as a result of a discount offered by suppliers upon purchasing goods, and has no relation to sales. However, by reference to the trial balance, it is clear that the credit balance of the received discount amounts to (84,253.88) Riyals; therefore, there is a discrepancy between the aforementioned amount and what was recorded in the trial balance. Furthermore, upon reconciling the revenues account in the trial balance with what was declared, the revenues account appears under number (400000000) with a value of 4,002,322.89 Riyals.

Additionally, regarding the taxpayer's defense that the bank statements include bank transfers amounting to (1,574,129) Riyals and that the Authority subjected the entirety of the bank statements to tax; by reference to the bank statements attached by the Appellant, it is clear that their details are as follows: 367,336.44 / 2,581,392.33 / 1,416,055.50 / 469,332 / 1,275,340.17, totaling (6,109,406) Riyals, whereas the total of the item after adjustment by the Authority is 5,312,570.82 Riyals. This demonstrates that the Authority did not subject the entirety of the bank statements attached by the taxpayer to tax, as the bank transfers which the taxpayer requests to be treated as out-of-scope amount to (1,574,129) Riyals, which exceeds the amount that the Authority subjected to tax under this item. Furthermore, what the Appellant submitted as a sample of sales invoices in the file titled "Sample of Sales Invoices" is merely a report of invoice details and not the actual invoices themselves.

Whereas it is established that the Appellee accepted a portion of the amount pursuant to its statement of defense No. 2 dated 22/01/2025 AD, wherein it clarified—with respect to the item of sales subject to tax at the standard rate, in which it had subjected sales valued at (1,426,728.82) Riyals to tax—that an amount of (1,368,807.82) Riyals, with an associated tax of (205,321.17) Riyals, pertains to transfers between the Appellant's own accounts, and was therefore accepted for being out of the scope of tax, and requested the recording of the settlement of the dispute in this regard; accordingly, the Committee concludes to establish the settlement of the dispute with respect to the amount of (1,368,807.82) Riyals.

As for the remaining discrepancy, which amounts to (57,920.99) Riyals with an associated tax of (8,688.14) Riyals, whereas the Appellee maintained the validity of its procedure due to the Appellant's failure to submit documents justifying it, and insisted on its rejection; and since the dispute is documentary and it has been established that the Authority requested the documents from the taxpayer pursuant to information request notices; and it was revealed upon reviewing the email correspondences between the taxpayer and the Authority attached by the Appellant that he had sent three (3) files to (...) titled "Audit Files Q4 2020 Establishment of (...)" on 26/06/2023 AD, and that on 30/09/2023 AD he sent a file of sales and purchases invoice samples to the email address (...), which is an unmonitored email address that does not receive incoming messages; accordingly, the Committee concludes to reject the appeal concerning the amount of (57,920.99) Riyals due to the insufficiency of the submitted documents.

With regard to the Appellant's objection to the decision of the Resolution Circuit which ruled to reject his lawsuit concerning his objection to the Appellee's decision to exclude purchases subject to the standard rate of (15%) in the amount of (3,087,057.23) Riyals with an associated tax of (463,058.5) Riyals for the tax period of the fourth quarter of the year 2020 AD; whereas Paragraph (1) of Article (48) of the Unified Value Added Tax Agreement stipulates that: "For the purposes of exercising the right of deduction, the Taxable Person must hold the following documents: a- The Tax Invoice received in accordance with 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 Common Customs Law." Furthermore, Paragraph (7/c) of Article (49) of the Implementing Regulations of the Value Added Tax Law stipulates that: "Input Tax may not be deducted unless the Taxable Person has evidence that the amount of Input Tax has been paid or is payable as specified in Article Forty-Eight 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 provide the following alternative evidence to the Authority: c- Other commercial documents permitted at the discretion of the Authority, proving that the Taxable Person has been correctly charged and has paid the relevant Value Added Tax."

Upon reviewing the case file and its contents, it has been established to the Committee that the Appellee reassessed the tax period subject to the dispute due to the non-submission of the required documents; whereas the Appellant declared purchases valued at (3,172,176) Riyals, and the Appellee excluded an amount of (3,087,057.23) Riyals. Whereas it is established that the Authority accepted a portion of the amount pursuant to its statement of defense No. 2 dated 22/01/2025 AD, wherein it clarified—with respect to the item of Domestic purchases subject to tax at the standard rate, from which it had excluded an amount of (3,087,057.23) Riyals—that it accepted purchases amounting to (195,059.87) Riyals due to the Appellant's submission of supporting documents, and requested the recording of the settlement of the dispute in this regard; accordingly, the Committee concludes to establish the settlement of the dispute with respect to the amount of (195,059.87) Riyals.

With regard to the remaining purchases amounting to (2,891,997.36) Riyals with an associated tax of (433,799.60) Riyals, whereas the Authority stated that the Appellant did not submit the documents proving their validity, maintained the validity of its procedure for the amount of (2,891,997.36) Riyals, and requested the Rejection of his appeal; and whereas the Resolution Circuit's Decision concluded with a Rejection of this item due to the failure to submit a purchases ledger and the tax invoices pertaining to his purchases; and whereas the Appellant submitted a purchases ledger during the tax period subject to the dispute alongside purchases invoices during the said period matching what he had declared, through which it was verified that he incurred the tax; accordingly, the Committee concludes to accept the appeal concerning the amount of (2,891,997.36) Riyals.

With regard to the Appellant's objection to the decision of the Resolution Circuit which ruled to reject his lawsuit concerning his objection to the imposition of the penalty for error in the return.; whereas Paragraph (1) of Article (42) of the Value Added Tax Law stipulates that: "Any person who submits an incorrect Tax Return to the Authority, amends a Tax Return after its submission, or submits any document to the Authority regarding the Tax due from him, resulting in an understatement of the calculated Tax amount, shall be penalized with a penalty equal to (50%) of the value of the difference between the calculated Tax and the Tax due." Whereas the findings concluded by the Committee across the items have led to establishing the settlement of the dispute regarding a portion of the item of domestic sales subject to tax at the standard rate and Rejection of the Appeal concerning the remaining portion, and establishing the settlement of the dispute regarding a portion of the item of Domestic purchases subject to tax at the standard rate and Acceptance of the appeal concerning the remaining portion; and since the penalty for error in the return. resulted therefrom, that which is associated with it shall take its same ruling. Accordingly, the Committee concludes to accept the appeal partially regarding the item of the penalty for error in the return. and to amend the Committee's decision in accordance with the foregoing.

With regard to the Appellant's objection to the decision of the Resolution Circuit which ruled to reject his lawsuit concerning his objection to the imposition of the penalty for late payment in accordance with what is ruled by this decision after becoming a final decision; whereas Article (43) of the Value Added Tax Law stipulates that: "Any person who fails to pay the Tax due within the period specified by the Regulations shall be penalized with a penalty equal to (5%) of the value of the unpaid Tax for each month or part thereof for which the Tax remains unpaid." Whereas the findings concluded by the Committee across the items have led to establishing the settlement of the dispute regarding a portion of the item of domestic sales subject to tax at the standard rate and Rejection of the Appeal concerning the remaining portion, and establishing the settlement of the dispute regarding a portion of the item of Domestic purchases subject to tax at the standard rate and Acceptance of the appeal concerning the remaining portion; and since the penalty for late payment resulted therefrom, that which is associated with it shall take its same ruling. Accordingly, the Committee concludes to accept the appeal partially regarding the item of the penalty for late payment and to amend the Committee's decision in accordance with the foregoing.

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

Decision

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

Second: On the merits:

Establishing the settlement of the dispute with respect to the sales item in the amount of (1,368,807.82) Riyals, and Rejection of the Appeal concerning the amount of (57,920.99) Riyals.

Establishing the settlement of the dispute with respect to the purchases item in the amount of (195,059.87) Riyals, and Acceptance of the appeal concerning the amount of (2,891,997.36) Riyals.

Partial acceptance of the appeal regarding the item of the penalty for error in the return., and Amendment of the Circuit's Decision in accordance with the foregoing.

Partial acceptance of the appeal regarding the item of the penalty for late payment, and Amendment of the Circuit's Decision in accordance with the foregoing.

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 – Supplies subject to tax – Acceptance of the taxpayer's appeal – Annulment of the Resolution Circuit's Decision – Annulment of the Authority's decision and the Penalties arising therefrom.

Summary:

The lawsuit submitted by the Appellant against the Appellee regarding Value Added Tax, wherein his objection focused on the decision of the Resolution Circuit ruling to reject his case concerning the final assessment notice for the item of sales subject to tax at the standard rate. The litigation history demonstrated the Appellant's insistence that the discrepancies and bank collections subject to the dispute pertain to invoices from previous tax periods that were legally disclosed and their associated tax was paid in accordance with the accrual basis of accounting. Whereas the Appeal Circuit relied on its examination of the submitted documents, statements, and invoices, which verified the validity of the disclosure of those sales and the payment of their associated tax on their previous dates of issuance, while ruling that the penalty follows the principal item with respect to cancellation. Consequently, the Appeal Circuit ruled: Acceptance of the appeal procedurally and on the merits, Annulment of the Decision of the Resolution Circuit and the decision of the Appellee; and ruling anew to annul the assessment and the disputed domestic sales item in the amount of (902,148.77) Riyals, and to annul the 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.
- The Value Added Tax Law issued by the Royal Decree No. (M/113) dated 02/11/1438 AH.
- The Implementing Regulations of the Value Added Tax Law, issued pursuant to the Board of Directors of the General Authority of Zakat and Tax Decision No. (3839) dated 14 Dhul-Hijjah 1438H.

Facts:

Whereas the facts of this lawsuit have been set forth in the appealed decision, the Appeal Circuit refers to it to avoid repetition. Whereas the Resolution Circuit's decision therein ruled the following:

First: Acceptance of the lawsuit procedurally .

Second: On the merits: Rejection of the Plaintiff's lawsuit.

Whereas this decision was not accepted by the Appellant, she submitted an appeal memorandum to the Appeal Circuit containing her objection to the decision of the Resolution Circuit which ruled to reject her lawsuit regarding her objection to the final assessment notice for the item of sales subject to tax at the standard rate for the tax period of the first quarter of the year 2021 AD. This is on the grounds that the amount subject to the dispute represents collections pertaining to sales from previous tax periods that were previously disclosed in prior tax returns in accordance with the accrual basis of accounting. She concluded with a request to accept the appeal and annul the decision of the Resolution Circuit.

On Wednesday, 25/10/1446 AH, corresponding to 23/04/2025 AD, at 04:09 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via videoconferencing in accordance with remote visual litigation procedures; based on the provisions of Paragraph (1) of Article Fifteen of the Rules of Operation for the Zakat, Tax and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH; and after reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, the Committee decided to adjourn the hearing of the lawsuit for further study. The session was concluded at 04:36 PM.

On Monday, 28/11/1446 AH, corresponding to 26/05/2025 AD, at 12:42 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via videoconferencing in accordance with remote visual litigation procedures; based on the provisions of Paragraph (1) of Article Fifteen of the Rules of Operation for the Zakat, Tax and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH; and after reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and since the lawsuit is ready for adjudication in its current state, the Committee decides to close the pleadings and reserve the case for adjudication.

Grounds

Whereas, upon reviewing the case documents and the submitted appeal memorandum, it has been established to the Committee that the requirements for hearing the appeal have been procedurally met in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; accordingly, the appeal request is procedurally accepted for being submitted by an authorized capacity and within the statutory period prescribed for its execution.

On the merits, upon the Appeal Circuit's review of the case papers and examination of the documents and instruments contained therein, and after reviewing the memoranda and responses submitted by both parties, it has been established to the Appeal Circuit that the decision issued by the Resolution Circuit ruled to reject the Appellant's lawsuit concerning his objection to the final assessment notice for the item of sales subject to tax at the standard rate for the tax period of the first quarter of the year 2021 AD. Whereas the Appellant objects to the decision of the Resolution Circuit on the grounds that the amount subject to the dispute represents collections pertaining to sales from previous tax periods that were previously disclosed in prior tax returns in accordance with the accrual basis of accounting. Upon the Appeal Circuit's review of the case documents, it has been established that the core of the dispute consists in subjecting the discrepancies in bank deposits to tax based on the analysis of bank deposits for the period subject to the dispute; whereas the Appellant pleads that these bank discrepancies result from tax invoices that were declared and their associated tax was paid during the period of the invoice's issuance, while the amounts related thereto were collected in a subsequent period. Conversely, the Appellee (the Authority) contends that the Appellant failed to submit the documentary evidence supporting the validity of his defenses.

By reference to the documents submitted in the case file, it is clear that the Appellant submitted the following documents:

- An Excel statement containing the analysis of the disputed revenues.
- The tax invoices related to the disputed revenues.
- Customers' account statements.
- Receipt vouchers.
- Sales ledgers (which clarify the tax payment date for the aforementioned tax invoices).
- The sales and sales returns ledger for the first quarter of the year 2021 AD.

Based on the foregoing, the tax invoices submitted by the Appellant, which represent the amount subject to the dispute, were reviewed. It is revealed that the date of issuance of the invoices took place during tax periods prior to the period subject to the dispute, namely (the second, third, and fourth quarters of the year 2020G), in accordance with the sales ledgers submitted by the Appellant for these periods. Whereas the validity of the Appellant's defense has been verified—demonstrating that these invoices were disclosed on their date of issuance and their associated tax was paid in accordance with the accrual basis of accounting; accordingly, the Appeal Circuit concludes to accept the submitted appeal.

With regard to the penalty for error in the return. and the Appellant's request to annul the said penalty which resulted from the final assessment notice for the tax period subject to the dispute; whereas the findings regarding the aforementioned principal item have led to Acceptance of the appeal, and since the penalty resulted therefrom, that which is associated with it shall take its same ruling. Accordingly, the Appeal Circuit concludes to accept the appeal with respect to the contested penalty.

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

Decision

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

Second: On the merits:

Acceptance of the appeal concerning the item of domestic sales subject to tax at the standard rate amounting to (902,148.77) Nine Hundred and Two Thousand, One Hundred and Forty-Eight Riyals and Seventy-Seven Halalas, Annulment of the Decision of the Resolution Circuit, and Annulment of the Decision of the Zakat, Tax and Customs Authority.

Acceptance of the appeal concerning the item of the "penalty for error in submitting the return", Annulment of the Decision of the Resolution Circuit, 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-2025-128

Case No. V-2024-245962

Keywords:

Value Added Tax – Supplies subject to tax – Acceptance of the appeal of the Zakat, Tax and Customs Authority – Annulment of the Resolution Circuit's Decision.

Summary:

The lawsuit submitted by the Appellant against the Appellee regarding Value Added Tax, wherein its objection focused on the decision of the Resolution Circuit ruling to amend the final assessment of the item of sales subject to the standard rate. The litigation history demonstrated the validity of the assessment and reassessment procedures based on official documents issued by a third party proving the actual volume of supply, coupled with the Appellee's submission of incomplete evidence. Whereas the Appeal Circuit relied on the grounds that the field audit findings and the analysis of bank accounts are perfectly consistent with the provisions of the Law and its Implementing Regulations, and are legally sufficient to impose the tax. Consequently, the Appeal Circuit ruled: Acceptance of the appeal procedurally; and on the merits, accepting it and Annulment of the Decision of the Resolution Circuit concerning the item of domestic sales subject to tax at the standard rate.

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 the Royal Decree No. (M/113) dated 02/11/1438 AH .
- Article (23) of the Unified Value Added Tax Agreement for the Cooperation Council for the Arab States of the Gulf, approved by Royal Decree No. (M/51) dated 03/05/1438 AH.

Facts:

Whereas the facts of this lawsuit have been set forth in the appealed decision, the Appeal Circuit refers to it to avoid repetition. Whereas the Resolution Circuit's decision therein ruled the following:

First: Acceptance of the lawsuit procedurally .

Second: On the merits:

1- Amending the Defendant's decision concerning the item of sales subject to tax at the standard rate for the tax period of the first quarter of the year 2021 AD by an amount of (353,750) Three Hundred and Fifty-Three Thousand, Seven Hundred and Fifty Riyals.
2- Establishing the settlement of the dispute regarding both the penalty for error in the return. and the penalty for late payment subject to the lawsuit.

Whereas this decision was not accepted by the Appellant [the Authority], she submitted an appeal memorandum to the Appeal Circuit containing her objection to the decision of the Resolution Circuit which ruled to amend her decision for the item of sales subject to the standard rate of (15%) for the tax period of the first quarter of the year 2021 AD. This is due to the presence of revenues that the Appellee failed to declare under the item of sales subject to tax at the standard rate. The Appellant maintains the validity of her decision based on Article (2) of the Value Added Tax Law, which stipulates that: "Tax shall be imposed on the import and supply of Goods and Services, in accordance with the provisions stipulated in the Agreement, the Law, and the Regulations." It objects to what was stated in the operative part and the reasoning of the Resolution Circuit's Decision, pointing out that the Circuit overlooked that the Appellant, in taking her procedure, relied on the report issued to her by the General Transport Authority, which constitutes conclusive evidence against all parties without requiring additional proof, pursuant to Paragraph (1) of Article (26) of the Law of Evidence. The report submitted by the Appellant specified the number of devices that were subjected to tax based on the data and documents received from the Appellee; however, the Resolution Circuit excluded a portion thereof without stating the grounds for exclusion or the nature of the cancellation. Furthermore, the Appellant contends that the mere appearance of the disputed devices in the General Transport Authority's report proves that they were actually supplied by the Appellee, and therefore tax is due thereon, contrary to what the Committee concluded without providing a statutory justification.

Moreover, the Appellee failed to provide any proof that the General Transport Authority's report contains incorrect data, nor did he support his objection with any evidence that refutes the information contained therein, which confirms the validity of the Appellant's procedure in applying Article (23) of the Agreement to him. It is also evident from the reassessment that the Appellee did not declare all taxable revenues under the item of domestic sales, despite the fact that his activity as a provider of vehicle tracking services is approved by the General Transport Authority.

Additionally, the Appellant analyzed his bank accounts and conducted a field visit to his premises, requesting documents that he later claimed were stolen by one of his employees, without providing any proof of that incident or a justification for the deposit transactions in his accounts. The Appellee stated that he provides two types of products at varying prices; according to the field visit minutes, the tax was calculated based on the number of exported devices, totaling (16,399) since May 2018 AD, at an average selling price of 778.75 Riyals, plus an annual integration fee of 300 Riyals. The Appellant did not subject the additional internet subscriptions to tax due to the non-availability of supporting documents. Furthermore, the Appellee's objection to the accuracy of the General Transport Authority's statement does not alter its probative value, as it constitutes an official document. The Appellee also provided the Authority with a number of invoices ranging in value between 500 and 900 Riyals, which reinforces the Authority's estimations regarding the average selling price of the disputed devices. She concluded with a request to accept the appeal and annul the decision of the Resolution Circuit.

On Tuesday, 01/11/1446 AH, corresponding to 29/04/2025 AD, at 04:12 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via videoconferencing in accordance with remote visual litigation procedures; based on the provisions of Paragraph (1) of Article Fifteen of the Rules of Operation for the Zakat, Tax and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH; and after reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and since the lawsuit is ready for adjudication in its current state, the Committee decides to close the pleadings and reserve the case for adjudication.

Grounds

Whereas, upon reviewing the case documents and the submitted appeal memorandum, it has been established to the Committee that the requirements for hearing the appeal have been procedurally met in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; accordingly, the appeal request is procedurally accepted for being submitted by an authorized capacity and within the statutory period prescribed for its execution.

On the merits, upon the Appeal Circuit's review of the case papers and examination of the documents and instruments contained therein, and after reviewing the memoranda and responses submitted by both parties, it has been established to the Appeal Circuit that the decision issued by the Resolution Circuit ruled to amend its decision regarding the item of sales subject to the standard rate of 15% for the tax period of the first quarter of the year 2021 AD. This is due to the presence of revenues that the Appellee failed to declare under the item of sales subject to tax at the standard rate.

The Appellant maintains the validity of her decision based on Article (2) of the Value Added Tax Law, which stipulates that: "Tax shall be imposed on the import and supply of Goods and Services, in accordance with the provisions stipulated in the Agreement, the Law, and the Regulations." She objects to what was stated in the operative part and the reasoning of the Resolution Circuit's Decision, pointing out that the Circuit overlooked that the Appellant, in taking her procedure, relied on the report issued to her by the General Transport Authority, which constitutes conclusive evidence against all parties without requiring additional proof, pursuant to Paragraph (1) of Article (26) of the Law of Evidence. The report submitted by the Appellant specified the number of devices that were subjected to tax based on the data and documents received from the Appellee; however, the Resolution Circuit excluded a portion thereof without stating the grounds for exclusion or the nature of the cancellation. Furthermore, the Appellant contends that the mere appearance of the disputed devices in the General Transport Authority's report proves that they were actually supplied by the Appellee, and therefore tax is due thereon, contrary to what the Committee concluded without providing a statutory justification.

Moreover, the Appellee failed to provide any proof that the General Transport Authority's report contains incorrect data, nor did he support his objection with any evidence that refutes the information contained therein, which confirms the validity of the Appellant's procedure in applying Article (23) of the Agreement to him. It is also evident from the reassessment that the Appellee did not declare all taxable revenues under the item of domestic sales, despite the fact that his activity as a provider of vehicle tracking services is approved by the General Transport Authority.

Additionally, the Appellant analyzed his bank accounts and conducted a field visit to his premises, requesting documents that he later claimed were stolen by one of his employees, without providing any proof of that incident or a justification for the deposit transactions in his accounts. The Appellee stated that he provides two types of products at varying prices. According to the field visit minutes, the tax was calculated based on the number of exported devices, totaling (16,399) since May 2018 AD, at an average selling price of 778.75 Riyals, plus an annual integration fee of 300 Riyals. The Appellant did not subject the additional internet subscriptions to tax due to the non-availability of supporting documents. Furthermore, the Appellee's objection to the accuracy of the General Transport Authority's statement does not alter its probative value, as it constitutes an official document. The Appellee also provided the Authority with a number of invoices ranging in value between 500 and 900 Riyals, which reinforces the Authority's estimations regarding the average selling price of the disputed devices.

Whereas the Appellant objects to the decision of the Resolution Circuit due to the presence of revenues that the Appellee failed to declare under the item of sales subject to tax at the standard rate; and upon reviewing the case file and the defenses contained therein, it is established that the Appellant issued an amendment to the item of sales subject to tax against the Appellee regarding the tax return of the period subject to the dispute, making it an amount of (772,277) Riyals instead of (0) Riyals, which results in tax discrepancies amounting to (115,842) Riyals, based on the data provided by the General Transport Authority, the analysis of bank accounts, the field visits, and the statements of the Appellee himself during the audit phases.

Furthermore, the nature of the Appellee's activity consists in providing truck management, tracking, and weight monitoring services, which involves installing vehicle tracking devices approved by the General Transport Authority, whereby the Appellee sells the tracking device, installs the data SIM card in the vehicle, and links it to the General Transport Authority.

Whereas it is evident from the assessment notice for the period subject to the dispute that the Appellant's procedure was based on a statement and an official document provided by a third party (the General Transport Authority), which illustrates the number of tracking devices issued by the Appellee for the period subject to the dispute and constitutes conclusive evidence against all parties. The calculation mechanism for the value of sales was as follows: (the value of the devices sold during the period based on the statement × the average price) + the renewal value of active devices at an amount of 300 Riyals for each device from its initial date of issuance. The renewal price was determined in accordance with the Appellee's statement in the field audit minutes. Additionally, the Appellant did not subject the subscription renewal amounts paid by customers through the Appellee to tax, given that renewal is not a procedure that can be determined through the documents available to her.

It is evident that she calculated the sales by subjecting a total of (16,399) devices at an average selling price of (778.75) Riyals, resulting in sales amounting to (12,770,721.25) Riyals, whereas the assessment notices issued to the Appellee recorded sales amounting to (14,989,033.84) Riyals, representing a discrepancy of (2,218,312.59) Riyals, which constitutes the renewal value for the active devices. Since the calculation of the average selling price at the amount of (778.75) Riyals and the annual renewal price of active devices for the tracking units was established based on the Appellee's statement regarding the prices in the field audit minutes, alongside an internal document extracted from the accounting system illustrating the average selling price and a sample of the submitted invoices; accordingly, the reassessment and tax assessment performed by the Appellant are consistent with the provisions of the Value Added Tax Law and its Implementing Regulations, and are supported by official evidence, financial data, and bank account analysis, which are legally sufficient to impose the tax on the Appellee due to the verification of his performance of the taxable supply. Therefore, the Committee concludes to accept the appeal concerning the item of "domestic sales subject to tax at the standard rate in the amount of (353,750) Three Hundred and Fifty-Three Thousand, Seven Hundred and Fifty Riyals" and to annul the decision of the Resolution Circuit.

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

Decision

First: Acceptance of the appeal procedurally .

Second: On the merits: Acceptance of the appeal concerning the item of "domestic sales subject to tax at the standard rate in the amount of (353,750) Three Hundred and Fifty-Three Thousand, Seven Hundred and Fifty Riyals", and Annulment of the Decision of the Resolution Circuit.

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 – Supplies subject to tax – Rejection of the Appeal of the Zakat, Tax and Customs Authority – Acceptance of the taxpayer's appeal – Annulment of the Resolution Circuit's Decision – Annulment of the Authority's decision and the Penalties Arising Therefrom.

Summary:

The mutual appeals submitted by both parties regarding Value Added Tax concerning several items, including manpower and cancellation Penalties. Whereas the decision of the Appeal Circuit ruled to reject the Authority's appeal and uphold the Resolution Circuit's Decision with respect to the two items of manpower services and scheduled tickets due to the soundness of their reasoning; conversely, the Committee accepted the Taxpayer's appeal regarding the item of ticket cancellation Penalties on the grounds that they constitute compensation for damages falling outside the scope of tax. Furthermore, the Committee ruled to accept his appeal concerning the item of canceled invoice adjustments, canceling the assessment decision issued in its respect in the amount of (14,432,838.75) Riyals, and upholding the Rejection of all claims otherwise.

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 the Royal Decree No. (M/113) dated 02/11/1438 AH .
- Article (2-14), Paragraph (2-3-8) of Article (34), and Paragraph (1) of Article (40) of the Implementing Regulations of the Value Added Tax Law, issued pursuant to the Board of Directors of the General Authority of Zakat and Tax Decision No. (3839) dated 14 Dhul-Hijjah 1438 AH.
- Article (1) of the Unified Value Added Tax Agreement for the Cooperation Council for the Arab States of the Gulf, approved by Royal Decree No. (M/51) dated 03/05/1438 AH.

Facts:

Whereas the facts of this lawsuit have been set forth in the appealed decision, the Appeal Circuit refers to it to avoid repetition. Whereas the Resolution Circuit's decision therein ruled the following:

First: Acceptance of the lawsuit procedurally .

Second: On the merits:

1- Amending the Defendant's decision by subjecting the value of the commission to tax instead of the full contract value with regard to manpower (personnel) supply services to (...), Rejection of the Plaintiff's lawsuit with respect to the liquidation account, and establishing the settlement of the dispute regarding maintenance services and the supply of spare parts, for the tax period of (January 2019 AD).
2- Rejection of the Plaintiff's lawsuit regarding tickets sold in 2017 AD and scheduled in the years 2018 AD and 2019 AD, amounting to (64,160) Riyals, for the tax period of (January 2019 AD).
3- Rejection of the Plaintiff's lawsuit regarding ticket cancellation Penalties, amounting to (11,914,440) Riyals, for the tax period of (January 2019 AD).
4- Rejection of the Plaintiff's lawsuit regarding the item of zero-rated sales related to the Royal Fleet Unit, amounting to (7,124,620) Riyals, for the tax period of (January 2019 AD).

Whereas this decision was not accepted by both parties, the Appellant (the Zakat, Tax and Customs Authority) submitted an appeal memorandum to the Appeal Circuit containing her objection to the decision of the Resolution Circuit which ruled to amend her decision regarding manpower (personnel) supply services to (...) by subjecting only the collected commission value to tax rather than the full contract value. This is on the grounds that, as a general rule, salaries received in light of an employer-employee relationship are not subject to Value Added Tax, whereas the commission received by the company is subject to VAT at the standard rate. Furthermore, pursuant to the guidelines, the criteria for the existence of an employer-employee relationship—regarding the relationship between the workforce provided by the Taxpayer and the beneficiaries of their services—is met when all conditions outlined in Section (2) of the Employee Benefits Guideline are fulfilled, provided that commissions are separated from salaries in the issued tax invoices. She concluded with a request to accept the appeal and annul the decision of the Resolution Circuit.

Also, the Appellant (...) submitted an appeal memorandum to the Appeal Circuit containing her objection to the decision of the Resolution Circuit which ruled to reject her lawsuit regarding tickets sold in 2017 AD and scheduled in the years 2018 AD and 2019 AD. This is on the grounds that ticket sales systems are managed according to international systems such as the "..." system and in accordance with standards set by the International Air Transport Association (IATA). She requests a review of the issued decision, asserting that she acts as a tax-collecting entity that does not bear the tax burden, and requests the application of VAT in a manner consistent with the nature of her business and the core principles of the Law, taking into account the regulatory restrictions governing the aviation industry globally, which cannot be bypassed.

In addition, she objects to the decision of the Resolution Circuit which ruled to reject her lawsuit regarding ticket cancellation Penalties, arguing that they do not constitute a supply but are rather a compensation for damages. The memorandum also included her objection to the decision of the Resolution Circuit which ruled to reject her lawsuit regarding the item of zero-rated sales related to the (...) Unit concerning international flight operation and maintenance services, on the grounds that these are sales subject to tax at the zero rate since they relate to international flight services for (...) aircraft. Moreover, the airport parking fees for (...) aircraft at international airports were erroneously disclosed within the disputed item, whereas they represent transactions falling outside the scope of VAT. The Appellant asserts the validity of the documents submitted by her, which were extracted from the accounting systems and based on contracts with her customers, noting that flights related to (...) are by nature confidential flights not announced to the public.

The memorandum further included her objection to the decision of the Resolution Circuit which ruled to reject her lawsuit regarding the item of sales for the (...) Unit concerning adjustments to canceled invoices declared within the sales item. She requests that, in the event that the zero-rated sales related to the (...) Unit are reclassified into sales subject to tax at the standard rate, the adjustments applied to the 0% zero-rated sales be taken into account, as they aim to reduce sales and constitute a part of the total value. She concluded with a request to accept the appeal and annul the decision of the Resolution Circuit.

On Sunday, 16/09/1446 AH, corresponding to 16/03/2025 AD, at 12:30 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded above, via videoconferencing in accordance with remote visual litigation procedures; based on the provisions of Paragraph (1) of Article Fifteen of the Rules of Operation for the Zakat, Tax and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH. After reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and since the lawsuit is ready for adjudication in its current state, the Committee decides to close the pleadings and reserve the case for adjudication.

Grounds

Whereas, upon reviewing the case documents and the submitted appeal memoranda, it has been established to the Committee that the requirements for hearing both appeal requests have been procedurally met in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; accordingly, both appeal requests are procedurally accepted for being submitted by an authorized capacity and within the prescribed statutory period.

On the merits, upon the Appeal Circuit's review of the case papers and examination of the documents and instruments contained therein, and after reviewing the memoranda and responses submitted by both parties:

With respect to the appeal submitted by the (Zakat, Tax and Customs Authority) against the decision of the Resolution Circuit which ruled to amend its decision regarding manpower (personnel) supply services to (...) by subjecting only the collected commission value to tax rather than the full contract value; and whereas the Appellant objects to the Resolution Circuit's Decision on the grounds that, as a general rule, salaries received in light of an employer-employee relationship are not subject to Value Added Tax, whereas the commission received by the company is subject to VAT at its standard rate; and that pursuant to the guidelines, the criteria for the existence of an employer-employee relationship—regarding the relationship between the workforce provided by the Taxpayer and the beneficiaries of their services—is met when all conditions outlined in Section (2) of the Employee Benefits Guideline are fulfilled, provided that commissions are separated from salaries in the issued tax invoices. Since it is established that the contested decision regarding the dispute under consideration is consistent with the provisions of the Law and the sound reasoning upon which it was based, which is sufficient to support its ruling—as the Circuit that issued the decision scrutinized the core of the dispute therein and arrived at the conclusion set forth in its operative part; and whereas the Appeal Circuit has not observed any matter therein requiring rectification or comment in light of the defenses raised before this Circuit, thereby concluding that such defenses do not affect the outcome of the decision; based on the foregoing, the Committee concludes to reject the appeal and uphold the decision of the Resolution Circuit as to its findings, as supported by its own reasoning.

With respect to the appeal submitted by (...) against the decision of the Resolution Circuit which ruled to reject her lawsuit regarding tickets sold in 2017 AD and scheduled in the years 2018 AD and 2019 AD; and whereas she objects to the decision of the Resolution Circuit on the grounds that ticket sales systems are managed according to international systems such as the "..." system and in accordance with standards set by the International Air Transport Association (IATA), and requests a review of the issued decision, asserting that she acts as a tax-collecting entity that does not bear the tax burden, and requests the application of VAT in a manner consistent with the nature of her business, the core principles of the Law, and the regulatory restrictions governing the aviation industry globally which cannot be bypassed.

Since it is established that the contested decision regarding the dispute under consideration is consistent with the provisions of the Law and the sound reasoning upon which it was based, which is sufficient to support its ruling—as the Circuit that issued the decision scrutinized the core of the dispute therein and arrived at the conclusion set forth in its operative part; and whereas the Appeal Circuit has not observed any matter therein requiring rectification or comment in light of the defenses raised before this Circuit, thereby concluding that such defenses do not affect the outcome of the decision; based on the foregoing, the Committee concludes to reject the appeal and uphold the decision of the Resolution Circuit as to its findings, as supported by its own reasoning.

With respect to the appeal submitted by (...) against the decision of the Resolution Circuit which ruled to reject her lawsuit regarding ticket cancellation Penalties; and whereas she objects to the decision of the Resolution

Circuit on the grounds that they do not constitute a supply but are rather a compensation for damages; and upon the Committee's review of the case file and the defenses and documents contained therein.

Whereas Article (1) of the Unified Value Added Tax Agreement for the Cooperation Council for the Arab States of the Gulf dePenalties (Supply) as: "Any form of supply of Goods or Services for Consideration in accordance with the cases stipulated in Chapter Two of this Agreement."; and pursuant to Article (2) of the Value Added Tax Law, which stipulates that: "Tax shall be imposed on the import and supply of Goods and Services, in accordance with the provisions stipulated in the Agreement, the Law, and the Regulations."; and pursuant to Article (14) of the Implementing Regulations of the Value Added Tax Law, which stipulates that: "Without prejudice to Article Two of the Law, and for the purposes of applying the Agreement and the Law in the Kingdom, Tax shall be imposed on all supplies of Goods or Services made by any Taxable Person in the Kingdom, or on those received by any Taxable Person in the Kingdom in cases where the Annul Charge Mechanism applies, and on the import of Goods into the Kingdom."

Whereas ticket cancellation Penalties constitute a compensation for financial damages resulting from the cancellation of tickets, and represent a compensation for the traveler's non-compliance and short-notice cancellation of the ticket—less than 24 hours prior to the flight schedule—making it difficult to sell the ticket to another customer within such a constrained timeframe; and according to the definition of (Supply) contained in Article (1) of the Unified Value Added Tax Agreement for the Cooperation Council for the Arab States of the Gulf referenced above, the penalty constitutes a compensation for "specific damages" resulting from the ticket cancellation, and genuine Penalties and penalties are not considered consideration for any supply.

This conclusion is not undermined by what was stated in the appealed decision regarding the Appellant's failure to separate Penalties associated with international transport from those associated with domestic transport; this is because the disputed item consists of a ticket cancellation penalty and is not linked to the supply relating to the ticket itself, given that it is a compensation imposed as a result of damages or loss and is not in exchange for goods or services, and therefore falls out of VAT scope. In addition, the Taxpayer exercised due diligence by communicating with the Authority, being the regulatory body, which answered the Taxpayer's inquiry in the email attached to the case file by confirming that the tax does not apply (Out of VAT scope). Accordingly, the Appeal Circuit concludes to accept the appeal, annul the decision of the Resolution Circuit, and annul the decision of the Zakat, Tax and Customs Authority.

With respect to the appeal submitted by (...) against the decision of the Resolution Circuit which ruled to reject her lawsuit regarding the item of zero-rated sales related to the (...) Unit concerning international flight operation and maintenance services; and whereas she objects to the decision of the Resolution Circuit on the grounds that these are sales subject to tax at the zero rate since they relate to international flight services for (...) aircraft, and that the airport parking fees for (...) aircraft at international airports were erroneously disclosed within the disputed item, whereas they represent transactions falling outside the scope of Value Added Tax;

and the Appellant asserts the validity of the documents submitted by her, which were extracted from the accounting systems and based on contracts with her customers, noting that flights related to (...) are by nature confidential flights not announced to the public.

Since it is established that the contested decision regarding the dispute under consideration is consistent with the provisions of the Law and the sound reasoning upon which it was based, which is sufficient to support its ruling—as the Circuit that issued the decision scrutinized the core of the dispute therein and arrived at the conclusion set forth in its operative part; and whereas the Appeal Circuit has not observed any matter therein requiring rectification or comment in light of the defenses raised before this Circuit, thereby concluding that such defenses do not affect the outcome of the decision; based on the foregoing, the Committee concludes to reject the appeal and uphold the decision of the Resolution Circuit as to its findings, as supported by its own reasoning.

With respect to the appeal submitted by (...) against the decision of the Resolution Circuit which ruled to reject her lawsuit regarding the item of sales for the (...) Unit concerning adjustments to canceled invoices declared within the sales item; and whereas she objects to the decision of the Resolution Circuit and requests that, in the event that the zero-rated sales related to the (...) Unit are reclassified into sales subject to tax at the standard rate, the adjustments applied to the 0% zero-rated sales be taken into account, as they aim to reduce sales and constitute a part of the total value. Upon the Committee's review of the case file and the defenses and documents contained therein;

And pursuant to Article (2) of the Implementing Regulations of the Value Added Tax Law, which stipulates that: "For the purposes of applying the Law and these Regulations, a Taxable Person in the Kingdom is a person who conducts an economic activity independently for the purpose of generating income, and who has been registered for VAT purposes in the Kingdom or is deemed obligated to register for VAT purposes therein in accordance with the Law and these Regulations."

And pursuant to Article (14) of the same Regulations, which stipulates that: "Without prejudice to the provisions of Article Two of the Law, and for the purposes of applying the Agreement and the Law in the Kingdom, Tax shall be imposed on all Supplies subject to tax of Goods and Services made by any Taxable Person in the Kingdom in the course of conducting an economic activity, or on those received by any Taxable Person in the Kingdom in the course of conducting an economic activity in cases where the Annul Charge Mechanism applies, and on the import of Goods into the Kingdom."

And pursuant to Paragraph (2) of Article (34) thereof, which stipulates that: "The international transport of passengers shall be subject to the zero rate in accordance with the provisions contained in 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 transport flights or by sea voyages conducted in accordance with an announced schedule."

And pursuant to Paragraph (3) of Article (34) thereof, which stipulates that: "Services directly or incidentally related to the supply of international transport of passengers shall be subject to the zero rate, and these services include the following: a) Transport of passengers' baggage, including pets, bicycles, strollers, and excess baggage fees. b) Transport of vehicles and trailers belonging to passengers. c) Air passenger transport fees and additional air freight. d) Seat reservations. e) Fees for sleeping berths and cabins."

And pursuant to Paragraph (8) of Article (34) thereof, which stipulates that: "Qualifying means of transport means any vehicle, vessel, or aircraft prepared to transport a minimum of ten (10) persons or prepared to transport goods on a commercial basis, whose primary purpose is to perform international transport. Any means of transport that has been converted or used for recreational or personal purposes shall not be deemed a qualifying means of transport."

And pursuant to Paragraph (1) of Article (40) thereof, which stipulates that: "The value of a taxable supply shall be adjusted when it is related to a Taxable Person in the following cases: (a) The supply is canceled or suspended after it occurred, or is deemed to have occurred wholly or partially. (b) The occurrence of a material change or amendment in the nature of the supply resulting in a change in the due Tax. (c) The value of the supply was agreed upon in advance, then adjusted for any reason whatsoever, including offering an additional discount after the completion of the sale. (d) Upon returning the Goods or Services, or any part thereof, to the supplier, and the supplier accepts their return."

Upon reviewing the appealed decision, the lack of merit in the reasoning upon which it was based to reject this item becomes apparent, which had relied on the absence of a response from the Authority and the absence of adjustments to the (adjustments to sales) item. Upon reviewing the submitted memoranda, it is established that the Appellant requested that the adjustments to sales pertaining to (...) be reclassified into sales subject to tax at the standard rate in the event that the application of the zero rate to the sales of (...) is rejected. Upon reviewing the final assessment notice, it is evident that the Authority subjected the zero-rated sales of the (...) Unit to tax at the standard rate without taking into account the adjustments associated therewith.

Whereas the Appellant submitted the credit notes related to the invoices through which the zero-rated sales for (...) were reduced via Credit Note No. (...), which is linked to Invoice No. (...) in the amount of (14,432,838.75) Riyals; and whereas the Committee concluded in the section above to subject the zero-rated sales of the (...) Unit to tax at the standard rate, it demonstrates the validity of the Appellant's claim to reclassify the disputed adjustment amount into the item of adjustments to sales subject to tax at the standard rate. Accordingly, the Committee concludes to accept the appeal and to annul the decision of the Zakat, Tax and Customs Authority.

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

Decision

First: With regard to the appeal of the Zakat, Tax and Customs Authority:

Acceptance of the appeal procedurally .

On the merits: Rejection of the Appeal of the Zakat, Tax and Customs Authority concerning manpower (personnel) supply services to (...), and upholding the decision of the Resolution Circuit.

Second: With regard to the appeal of (...) (TIN ...):

Acceptance of the appeal procedurally.

On the merits:

Rejection of the Appeal concerning tickets sold in 2017 AD for scheduled flights in the years 2018 AD and 2019 AD, and upholding the decision of the Resolution Circuit.

Acceptance of the appeal concerning the item of ticket cancellation Penalties, Annulment of the Decision of the Resolution Circuit, and Annulment of the Decision of the Zakat, Tax and Customs Authority.

Rejection of the Appeal concerning the item of sales for the (...) Unit regarding international flight operation and maintenance services, and upholding the decision of the Resolution Circuit.

Acceptance of the appeal concerning the item of sales for the (...) Unit regarding adjustments to canceled invoices declared within the sales item in the amount of (14,432,838.75) Riyals, 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-2025-141

Case No. V-2024-246320

Keywords:

Value Added Tax – Supplies subject to tax – Partial acceptance of the appeal – Partial amendment of the Resolution Circuit's decision.

Summary:

The lawsuit submitted by the Appellant against the Appellee regarding Value Added Tax, wherein his objection focused on the decision of the Resolution Circuit ruling to reject his lawsuit concerning the final assessment for the month of December 2020 AD and the Penalties arising therefrom. The litigation history demonstrated that the added amounts consist of two components: an advance payment and a loan not intended for the purposes of the economic activity, and internal accounting entries between departments of the sole proprietorship which fall outside the scope of tax. Whereas the Appeal Circuit relied on the audited financial statements which proved that the advance payment amount was recorded as advances from customers, thereby contradicting his defense; while it was established to the Committee, pursuant to the Certified Public Accountant (CPA) certificate, that the other component represents internal reciprocal entries with his branch that fall outside the scope of tax in accordance with Article (18) of the Implementing Regulations. Consequently, the Appeal Circuit ruled: acceptance of the appeal procedurally, and on the merits, its partial acceptance by annulling the subjection of the internal entries item calculated in the amount of (1,014,622) Riyals.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Article (18) of the Implementing Regulations of the Value Added Tax Law, issued pursuant to the Board of Directors of the General Authority of Zakat and Tax Decision No. (3839) dated 14 Dhul-Hijjah 1438 AH.

Facts:

Since the facts of this case have been set forth in the appealed decision, the Appeal Circuit refers thereto to avoid repetition. Whereas the Resolution Circuit's Decision No. (VJ-2023-192484) dated 04/04/2023 AD ruled as follows:

First: Rejection of the Plaintiff's lawsuit regarding the item of domestic sales subject to tax at the standard rate for the tax period subject to the lawsuit, due to the established validity of the Defendant's decision.

Second: Rejection of the Plaintiff's lawsuit regarding the objection to the penalty for error in the return. for the tax period subject to the lawsuit, due to the established validity of the Defendant's decision.

Third: Rejection of the Plaintiff's lawsuit regarding the objection to the penalty for late payment for the tax period subject to the lawsuit, due to the established validity of the Defendant's decision.

Subsequently, the Appeal Circuit's Decision No. (VA-2024-192484) dated 27/03/2024 AD ruled as follows:

First: Acceptance of the appeal submitted by (...) – National ID No. (...) procedurally for being submitted within the prescribed statutory period.

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 No. (V-2023-98025) and remanding the case to it for consideration in accordance with the reasons set forth.

Thereafter, the Resolution Circuit's Decision No. (VJ-2024-234241) dated 23/06/2024 AD ruled as follows:

First: Acceptance of the lawsuit procedurally.

Second: On the merits:

Rejection of the Plaintiff's lawsuit concerning the final assessment notice for the tax period of December of the year 2020 AD, resulting from subjecting an amount of (2,126,312.00) Riyals to the item of sales subject to tax at the standard rate and tax in the amount of (318,946.80) Riyals.

Rejection of the Plaintiff's lawsuit concerning the penalty for error in the return. resulting from the final assessment notice for the tax period of December of the year 2020 AD, in the amount of (159,473.40) Riyals.

Rejection of the Plaintiff's lawsuit concerning the penalty for late payment resulting from the final assessment notice for the tax period of December of the year 2020 AD.

Whereas this decision was not accepted by the Appellant, she submitted an appeal memorandum to the Appeal Circuit containing her objection to the decision of the Resolution Circuit which ruled to reject her lawsuit regarding her objection to the final assessment for the tax period of December for the year 2020 AD and the Penalties arising therefrom. This is on the grounds that the item of domestic sales subject to tax at the standard rate in the amount of (2,126,312) Riyals, which is subject to the objection, consists of two components: an advance payment valued at 1,520,000 Riyals and internal entries valued at 1,018,244.75 Riyals. Regarding the advance payment amount, it was received from (...) Establishment, and no sales invoice was issued against this amount, as this amount is nothing but an advance payment and a loan between (...) Establishment and (...) Establishment, supported by official documents between both parties showing that this amount is not intended for the purposes of an economic activity but rather a loan amount to facilitate the operations of (...) Establishment.

As for the addition of the amount of (1,018,244.75) Riyals, it represents internal entries, as the establishment follows an accounting policy to control costs according to production orders by charging each internal department with revenues specific to the production order, and charging the other internal department with the costs and expenses of that production order. Furthermore, these expenses and revenues within the company's departments are reciprocal accounts recorded under revenues and simultaneously recorded under expenses, as if each department sells production and operational services to the other department. Correctly, these internal accounts should be closed against one another at the end of each year so they do not appear in the balance sheet and financial statements, particularly in companies utilized by external users; however, in the case of the Appellant, (...) Establishment is a sole proprietorship and the purpose of the financial statements is Sharia Zakat. She emphasizes that due to an accountant's error in closing and placing the entries in the proper manner, they appeared in the financial statements as illustrated in the Certified Public Accountant's (CPA) letter. Moreover, the Authority overlooked the text of Article (18) of the Implementing Regulations of the Value Added Tax Law, which states: "Without prejudice to Article Sixteen of these Regulations, other than Nominal Supplies, the provision of Goods and Services by a Legal Person to himself shall fall outside the scope of Value Added Tax." She concluded with a request to accept the appeal and annul the decision of the Resolution Circuit.

On Sunday, 06/11/1446 AH, corresponding to 04/05/2025 AD, at 03:12 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via videoconferencing in accordance with remote visual litigation procedures; based on the provisions of Paragraph (1) of Article Fifteen of the Rules of Operation for the Zakat, Tax and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH; and after reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and since the lawsuit is ready for adjudication in its current state, the Committee decides to close the pleadings and reserve the case for adjudication.

Grounds

Whereas upon reviewing the case documents and the submitted appeal memorandum, it was established to the Appeal Circuit that the requirements for considering the appeal have been procedurally met in accordance with the conditions stipulated in the relevant laws, regulations, and resolutions; accordingly, the appeal request is procedurally accepted for being submitted by an authorized capacity and within the statutory period prescribed for its submission.

On the merits, upon the Appeal Circuit's review of the case files and examination of the documents and instruments contained therein, and after reviewing the memoranda and responses submitted by both parties, the Appeal Circuit notes that the decision issued by the Resolution Circuit ruled to reject the Appellant's lawsuit regarding her objection to the final assessment for the tax period of December of the year 2020 AD and the Penalties resulting therefrom, specifically concerning the item of domestic sales subject to tax at the standard rate. Whereas the Appellant objects to the Resolution Circuit’s Decision on the grounds that the item of domestic sales subject to tax at the standard rate in the amount of (2,126,312) Riyals, which is subject to the objection, consists of two components: an advance payment valued at 1,520,000 Riyals and internal entries valued at 1,018,244.75 Riyals. Regarding the advance payment amount, it was received from (...) Establishment, and no sales invoice was issued against this amount, as this amount is nothing but an advance payment and a loan between (...) Establishment and (...) Establishment, supported by official documents between both parties showing that this amount is not intended for the purposes of an economic activity but rather a loan amount to facilitate the operations of (...) Establishment. Following the review of the case file and the defenses contained therein, it was established that the Authority added the disputed amount to the item of domestic sales subject to tax at the standard rate, which is a portion of the advance payment amount totaling (1,520,000) Riyals. Whereas the Appellant submitted the account statement of the customer (...) from the date 01/11/2020 AD until the date 31/08/2021 AD, which clearly shows the appearance of a bank transfer from (...) Bank dated 12/12/2020 AD valued at (1,000,000) Riyals with the description "payment from the account as a loan" under credit, and on the same date a cash receipt valued at (520,000) Riyals with the description "payment from the account as a loan" under credit, which the Appellant repaid in installments on 14/03/2021 AD in the amount of (500,000) Riyals via a bank transfer from (...) Bank with the description "receipt of (...) loan" under debit, and on 17/03/2021 AD, in the amount of (500,000) Riyals via a bank transfer from (...) Bank with the description "receipt of (...) loan" under debit, and on 11/04/2021 AD in the amount of (520,000) Riyals in cash pursuant to receipt voucher No. (...) from (...). By reference to the documents submitted in the case file, it is clear that the Authority subjected the amount of (1,111,690) Riyals on the ground that it appears in the audited financial statements of (...) Establishment within Note No. (8) under the item of accrued expenses and credit balances as "advances from customers," which contradicts the Appellant's defense that the amount represents an advance payment. Consequently, the Committee concludes to reject the appeal concerning this item.

As for the addition of the amount of (1,018,244.75) Riyals, whereas the Appellant objects to the addition of this amount on the grounds that it represents internal entries, and that the establishment follows an accounting policy to control costs according to production orders by charging each internal department with revenues specific to the production order, and charging the other internal department with the costs and expenses of that production order. Furthermore, these expenses and revenues within the company's departments are reciprocal accounts recorded under revenues and simultaneously recorded under expenses, as if each department sells production and operational services to the other department. Correctly, these internal accounts should be closed against one another at the end of each year so they do not appear in the balance sheet and financial statements, particularly in companies utilized by external users; however, in the case of the Appellant, (...) Establishment is a sole proprietorship and the purpose of the financial statements is Sharia Zakat. She emphasizes that due to an accountant's error in closing and placing the entries in the proper manner, they appeared in the financial statements as illustrated in the Certified Public Accountant's (CPA) letter. Moreover, the Authority overlooked the text of Article (18) of the Implementing Regulations of the Value Added Tax Law, which states: "Without prejudice to Article Sixteen of these Regulations, other than Nominal Supplies, the provision of Goods and Services by a Legal Person to himself shall fall outside the scope of Value Added Tax."

Following the review of the case file and the defenses contained therein, it was established that the Authority subjected an amount representing internal entries between the establishment's departments to the account of a production line, countered by a cost to another account, which was supposed to be settled and annulled in the cost account at the end of the period. Whereas the Appellant submitted a certificate from a Certified Public Accountant (CPA) stating that the disputed amount represents internal sales between the factory's departments and is specific to (factory tube manufacturing labor charges), and that these sales should have been settled and annulled against the cost account by the establishment's management.

Furthermore, regarding the Committee's reliance in its decision on the difference between the tax identification number (TIN) appearing on the invoice under No. (...), which is the tax identification number of (...) Company, and the tax identification number of the Appellant; by reference to the audited financial statements, it is clear that the factory (...) Company is a branch of the Appellant (... - a sole proprietorship). Therefore, pursuant to the text of Paragraph (1) of Article (18): "Without prejudice to Article Sixteen of these Regulations, other than Nominal Supplies, Goods and Services supplied by a Person to himself shall fall outside the scope of Tax." Moreover, the Authority did not address this matter, and its applied procedure was based solely on internal entries. Whereas the Authority indicated in its counter-memorandum that there was an error in determining the disputed amount relating to this item in the Resolution Circuit's Decision, by reference to the submitted assessment notice, the Committee found the Authority's defense to be correct, stating that the disputed amount is valued at (1,014,622) Riyals instead of (1,018,245) Riyals. Accordingly, the Committee concludes to accept the appeal concerning this item.

With regard to the penalty for error in the return. and the penalty for late payment, and the Appellant's demand to annul those Penalties resulting from the final assessment notice for the disputed tax period; since the item of sales subject to tax at the standard rate has resulted in the partial acceptance of the appeal, and since the Penalties arose from that, what is ancillary follows the main ruling. Accordingly, the Appeal Circuit concludes to accept the appeal in part with respect to the appealed Penalties in accordance with the aforementioned.

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

Decision

First: Acceptance of the appeal procedurally .

Second: On the merits:

1- Partial acceptance of the appeal concerning the item of "domestic sales subject to tax at the standard rate" in the amount of (1,014,622) One Million, Fourteen Thousand, Six Hundred and Twenty-Two Riyals, rejection of the amount of (1,111,690) One Million, One Hundred and Eleven Thousand, Six Hundred and Ninety Riyals, and amendment of the decision of the Resolution Circuit accordingly.

2- Partial acceptance of the appeal concerning the item of "penalty for incorrect tax return", and amendment of the decision of the Resolution Circuit in accordance with what is stated in item (Second/1) above.

3- Partial acceptance of the appeal concerning the item of "penalty for late payment", and amendment of the decision of the Resolution Circuit in accordance with what is stated in item (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-2025-246602

Case No. V-2024-246602

Keywords:

Value Added Tax – Supplies subject to tax – Acceptance of the appeal – Annulment of the Resolution Circuit's Decision – Amendment of the Zakat, Tax and Customs Authority's Decision.

Summary:

The lawsuit submitted by the Appellant against the Appellee regarding Value Added Tax, wherein his objection focused on the decision of the Resolution Circuit ruling to uphold its previous decision regarding its lack of jurisdiction to hear the lawsuit due to the exhaustion of jurisdiction. The litigation history demonstrated the Appellant's right to re-assess the tax period as a result of the failure to meet the requirements for applying the zero-percent rate to the supplies and the Appellee's failure to provide the statutory supporting documents. Whereas the Appeal Circuit relied on the Rules of Operation for the Zakat, Tax and Customs Committees, which mandate that the Committee must adjudicate the merits of the case upon annulling the appealed decision; and it was established to the Committee that the Appellee failed to provide the detailed sales statements or the written certificate prescribed by the regulations to justify the zero rate, thereby entailing that such supplies be subject to the standard rate and that the penalty associated therewith be amended. Consequently, the Appeal Circuit ruled: Acceptance of the appeal procedurally; and on the merits, Annulment of the Decision of the Resolution Circuit, and ruling anew to amend the Appellant'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.

Document

- Paragraph (2-3) of Article (37) of Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Articles (56) and (79) of the Implementing Regulations of the Value Added Tax Law, issued pursuant to the Board of Directors of the General Authority of Zakat and Tax Decision No. (3839) dated 14 Dhul-Hijjah 1438 AH.

Facts:

Whereas the facts of this lawsuit have been set forth in the appealed decision, the Appeal Circuit hereby refers thereto in order to avoid repetition. Whereas the Resolution Circuit's Decision No. (VD-2022-2262), dated 07/11/2022 AD, ruled as follows:

- The Circuit's lack of jurisdiction to consider the request submitted by the Zakat, Tax and Customs Authority.

Subsequently, the Appeal Circuit's Decision No. (VA-2024-168314), dated 02/06/2024 AD, ruled as follows:

First: Acceptance of the appeal procedurally submitted by the Zakat, Tax and Customs Authority, as it was submitted within the statutory prescribed period.

Second: Acceptance of the appeal submitted by the Zakat, Tax and Customs Authority on the merits; annulment of the Decision No. (VD-2022-2262) issued by the First Circuit for the Resolution of Value Added Tax Violations and Disputes in Dammam City; and remanding the lawsuit to the said Committee to hear it in accordance with the grounds set forth herein.

Thereafter, the Resolution Circuit's Decision No. (VD-2024-238967), dated 28/10/2024 AD, ruled as follows:

The Committee upholds its previous Decision No. (VD-2021-786), dated 04/05/2021 AD, which ruled: acceptance of the lawsuit of the Plaintiff, (...) Company, Commercial Registration No. (...), and Annulment of the Decision of the Defendant (the General Authority of Zakat and Tax), due to the Committee's exhaustion of its jurisdiction to hear the case.

Whereas this decision was not accepted by the Appellant, the Appellant submitted an appeal brief to the Appeal Circuit containing its objection to the Resolution Circuit's Decision to uphold its previous Decision No. (VD-2021-786), which ruled that the Committee lacked jurisdiction to hear the application submitted by the Zakat, Tax and Customs Authority regarding the Reassessment of the tax period of January 2018 AD. This was because the Committee stated in its decision that the cancellation notice issued by the Authority did not indicate that the reason for rejecting the objection was due to the Appellee's violation of the provisions of Article (79) of the Implementing Regulations of the Value Added Tax Law. The Appellant clarified that the reason for rejection was the Appellee's failure to provide the statutory documents supporting its position, which constitutes a violation of the provisions of Article (56) of the Implementing Regulations of the Value Added Tax Law that grants the Authority the right to obtain statutory documents supporting the taxpayer's position. Furthermore, the Appellee failed to satisfy all statutory requirements for applying the zero-percent rate to the supplies. Additionally, the written certificate provided by the Appellee did not comply with Paragraph (3/c) of Article (79) of the same Regulations, which requires the customer to provide a written certificate to the supplier confirming the ability to deduct input tax on the supply, whereas the provided certificate did not include the customer's confirmation to that effect. Moreover, the Appellee failed to provide documents proving the existence of revenues from works executed prior to the enforcement of the Law, as evidenced by the fact that the dates of the progress payment certificates were after the enforcement of the Law. The Appellant concluded with a request to accept the appeal and annul the Resolution Circuit's Decision.

On Tuesday, 08/11/1446 AH, corresponding to 06/05/2025 AD, at 03:34 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures, pursuant to the provisions of Paragraph (1) of Article (15) of Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal application, the submitted memoranda, and the case file records and documents, the Committee requested the Secretariat to instruct the Appellee to submit a detailed sales statement, a statement of revenues generated prior to enforcement, and sales subject to the zero-percent rate, provided that the Appellee submits the requested documents within two weeks from this date. The session was adjourned at exactly 04:40 PM.

On Sunday, 19/12/1446 AH, corresponding to 15/06/2025 AD, at 12:30 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures, pursuant to the provisions of Paragraph (1) of Article (15) of Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal application, the submitted memoranda, and the case file records and documents, and whereas the lawsuit is ripe for adjudication in its current state, the Committee decided to close the pleadings and reserve the case for adjudication.

Grounds

Whereas, upon reviewing the case documents and the submitted appeal brief, it was established to the Appeal Circuit that the requirements for hearing the appeal have been procedurally satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and decisions. Therefore, the appeal application is procedurally acceptable, having been submitted by an authorized party within the statutory prescribed period for doing so.

On the merits, upon the Appeal Circuit's review of the case files and examination of the documents and instruments contained therein, and after reviewing the memoranda and replies submitted by both parties, it was established to the Appeal Circuit that the decision issued by the Resolution Circuit ruled to uphold its previous Decision No. (VD-2021-786), which ruled that the Circuit lacked jurisdiction to hear the application submitted by the Zakat, Tax and Customs Authority regarding the Reassessment of the tax period of January 2018 AD. Whereas the Appellant objects to the Resolution Circuit's Decision due to the Committee stating in its decision that the cancellation notice issued by the Authority did not indicate 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. The Appellant clarified that the reason for rejection was the Appellee's failure to provide the statutory documents supporting its position, which constitutes a violation of the provisions of Article (56) of the Implementing Regulations of the Value Added Tax Law that grants the Authority the right to obtain statutory documents supporting the taxpayer's position. Furthermore, the Appellee failed to satisfy all statutory requirements for applying the zero-percent rate to the supplies. Additionally, the written certificate provided by the Appellee did not comply with Paragraph (3/c) of Article (79) of the same Regulations, which requires the customer to provide a written certificate to the supplier confirming the ability to deduct full input tax on the supply, whereas the provided certificate did not include the customer's confirmation to that effect. Moreover, the Appellee failed to provide documents proving the existence of revenues from works executed prior to the enforcement of the Law, as evidenced by the fact that the dates of the progress payment certificates were after the enforcement of the Law.

Whereas this lawsuit was heard by the First Circuit for the Resolution of Value Added Tax Violations and Disputes in Dammam City, which issued the above-referenced Decision No. (VD-2024-238967) on the subject matter of the lawsuit, and whereas the Appeal Circuit's Decision No. (VA-2024-168314) ruled to annul the Resolution Circuit’s Decision and remand the case to it in accordance with the grounds set forth therein; and given that the First Circuit for the Resolution of Value Added Tax Violations and Disputes in Dammam City decided to uphold its previous decision after the case was remanded from the Appeal Circuit; And whereas Paragraph (2) of Article (37) of the Rules of Operation for the Zakat, Tax and Customs Committees stipulates: "If the decision of the Resolution Circuit is consistent in its outcome with its merits, the Appeal Circuit shall uphold it while adding such grounds as it deems appropriate. However, if it reverses it, it shall adjudicate the annulled matter after the pleadings." Furthermore, Paragraph (3) of the same Article stipulates: "If the Appeal Circuit decides to annul the Resolution Circuit’s Decision regarding lack of jurisdiction, or accepting a preliminary motion that resulted in barring the progression of the lawsuit, or the inadmissibility of hearing the lawsuit due to prior adjudication, or the non-hearing of the case due to the lapse of the prescribed period, or its procedural inadmissibility, or the Non-acceptance of the lawsuit due to the failure to draft it properly, it shall remand the lawsuit back to the Resolution Circuit that issued the decision to consider the merits, unless the circumstances of the lawsuit render it ripe for adjudication, or the circumstances of the lawsuit necessitate an prompt adjudication, or the subject matter thereof has been settled by decisions or principles established by the Appeal Circuits, in which case it may be adjudicated without being remanded."

And whereas adjudicating the subject matter of the dispute entails the annulment of the Resolution Circuit's decision—which ruled to adhere to its previous decision—due to the Circuit having exhausted its jurisdiction to consider the case. Accordingly, the Circuit decides to annul the Resolution Circuit's decision No. (VD-2024-238967), and to consider this lawsuit on the merits

Upon the Appeal Circuit's review of the facts and documents of the lawsuit, it is evident that the Appellee ((...) Company) submitted in Lawsuit No. (V-2018-521) contracts concluded with (...) Company prior to the date of May 30, 2017 AD, in addition to five (5) letters issued by the same company. Upon reviewing these letters, it is clear that they include a confirmation from (...) Company that all progress payment certificates were executed prior to the year 2018 AD. However, the Appellee failed to submit a detailed sales statement, a statement of revenues generated prior to enforcement, and sales subject to the zero-percent rate. Whereas the Appellee failed to submit any supporting documents regarding those revenues, such as invoices, contracts, or the like, to substantiate its claims regarding the collection of the amount in the year 2017 AD; and given that Paragraph (3) of Article (79) of the Implementing Regulations of the Value Added Tax Law specified particular requirements to treat a supply as a zero-rated taxable supply, including the submission of a written certificate to the supplier confirming the ability to deduct full input tax on the supply—which the Appellee failed to provide, relying solely on the contracts concluded with (...) Company and the letters issued by it, in addition to a letter addressed by the Appellee ((...) Company) to (...) Company dated (22/04/2018 AD) requesting a letter confirming that all progress payment certificates are not subject to tax and are treated at the zero percent rate; As for the bank account statements and the statement submitted by (...) Company regarding 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. Consequently, the Appeal Circuit concludes to annul the decision of the Resolution Circuit and amend the decision of the Zakat, Tax and Customs Authority regarding the Reassessment of the item of sales subject to tax at the standard rate, to make the amount (43,343) Riyals.

With regard to the penalty for error in the return., and the Appellant's request to annul the Committee's decision on the basis that the penalty was imposed pursuant to Paragraph (1) of Article (42) of the Value Added Tax Law as a result of a discrepancy between the value of the amount declared in the Appellee's tax return and the amount assessed by the Authority after the Reassessment of the tax period under dispute; and whereas the above item resulted in Annulment of the Resolution Circuit’s Decision and Amendment of the Zakat, Tax and Customs Authority’s Decision regarding the Reassessment of the item under dispute, and since the penalty resulted therefrom, the accessory follows the principal rule. Accordingly, the Appeal Circuit concludes to amend the decision of the Zakat, Tax and Customs Authority regarding the item of the penalty for error in the return..

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

Decision

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

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

Third: Amendment of the decision of the Zakat, Tax and Customs Authority regarding the Reassessment of the item of sales subject to tax at the standard rate to make the amount (43,343) Riyals.

Fourth: Amendment of the decision of the Zakat, Tax and Customs Authority regarding the item of the penalty for error in the return. in accordance with the provisions of Paragraph (Second) 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-2025-246619

Case No. V-2024-246619

Keywords:

Value Added Tax – Supplies subject to tax – Acceptance of the appeal – Annulment of the Resolution Circuit's Decision – Remanding the Lawsuit to the Circuit that issued the decision for Reconsideration.

Summary:

The lawsuit submitted by the Appellant against the Appellee (the Zakat, Tax and Customs Authority) regarding Value Added Tax, wherein his objection focused on the hdecision of the Resolution Circuit ruling the Non-acceptance of the petition for reconsideration submitted by him against a previous decision that ruled the proceduraly inadmissibility of his lawsuit. The litigation history demonstrated the failure to notify him of the decisions on the alleged dates, and he defended that an error occurred in calculating the actual date of notification upon which the Resolution Circuit based its judgment. Whereas the Appeal Circuit relied on the fact that the first-instance decision had conclusively acquired final status and become enforceable, thereby rendering it statutorily permissible to restrict the objection to extraordinary avenues of appeal (petition for reconsideration); and pointing out the Resolution Circuit's error in establishing its grounds by considering that the petition was submitted against a non-final decision based on an incorrect notification date. Consequently, the Appeal Circuit ruled: Acceptance of the appeal procedurally; and on the merits, Annulment of the Decision of the Resolution Circuit and remanding the lawsuit to it for reconsideration in accordance with the reasons set forth.

Document

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

Facts:

Whereas the facts of this lawsuit have been set forth in the appealed decision, the Appeal Circuit hereby refers thereto in order to avoid repetition. Whereas the Resolution Circuit's Decision ruled as follows: "Non-acceptance of the petition for reconsideration."

Whereas this decision was not accepted by the Appellant, he submitted an appeal brief to the Appeal Circuit containing his objection to the Resolution Circuit’s Decision ruling the Non-acceptance of the petition for reconsideration filed against the Resolution Circuit’s Decision No. (VD-2022-60669), issued on 14/03/2023 AD, the operative part of which ruled: "Non-acceptance of the lawsuit procedurally." The Appellant clarified that the Committee issued its decision on the grounds that he submitted the objection before the Authority on 26/08/2021 AD and filed the grievance before the Resolution Circuit on 26/03/2022 AD, and thus the decisions became immune from challenge due to the expiry of the statutory period. However, the Circuit overlooked the fact that the Authority did not notify him of the issuance of the decisions so that he could submit an objection. He concluded with a request to accept the appeal and annul the decision of the Resolution Circuit.

On Wednesday, 09/11/1446 AH, corresponding to 07/05/2025 AD, at 03:15 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures, pursuant to the provisions of Paragraph (1) of Article (15) of Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal application, the submitted memoranda, and the case file records and documents, and whereas the lawsuit is ripe for adjudication in its current state, the Committee decided to close the pleadings and reserve the case for adjudication.

Grounds

Whereas, upon reviewing the case documents and the submitted appeal brief, it was established to the Circuit that the requirements for hearing the appeal have been procedurally met in accordance with the conditions stipulated in the relevant laws, regulations, and decisions. Therefore, the appeal application is procedurally acceptable, having been submitted by an authorized party within the statutory prescribed period for doing so.

On the merits, upon the Appeal Circuit's review of the case files and examination of the documents and instruments contained therein, and after reviewing the memoranda and replies submitted by both parties, it was established to the Appeal Circuit that the appealed decision issued by the Resolution Circuit concluded with the Non-acceptance of the petition for reconsideration filed against the Resolution Circuit’s Decision No. (VD-2022-60669), issued on 14/03/2023 AD, the operative part of which ruled: "Non-acceptance of the lawsuit Procedurally." Whereas the Appellant objects to the Resolution Circuit’s Decision due to the Committee issuing its decision on the grounds that he submitted the objection before the Authority on 26/08/2021 AD and filed the grievance before the Resolution Circuit on 26/03/2022 AD, and thus the decisions became immune from challenge due to the expiry of the statutory period, while the Circuit overlooked the fact that the Authority did not notify him of the issuance of the decisions so that he could submit an objection.

Upon reviewing the defenses of both parties and by reference to the contested decision, it was established to the Appeal Circuit that the Resolution Circuit erred in establishing its grounds by stating that the Plaintiff was notified of the first-instance decision on 14/03/2024 AD, whereas the correct date of the Plaintiff's notification of the decision is 14/03/2023 AD, following which he submitted the petition for reconsideration on 17/11/2024 AD. This matter establishes that the first-instance decision has conclusively acquired final status. This conclusion is not undermined by the Resolution Circuit's determination that the petition was submitted against a non-final decision, given that the contested first-instance decision was initially deemed final and enforceable, and consequently, the submitted petition may be considered at that time; this is because objections through extraordinary avenues of appeal are restricted to final, enforceable decisions. Accordingly, the Circuit concludes to accept the appeal on the merits.

Based on the foregoing, and in conjunction with the reasons stated, the Circuit unanimously decided as follows:

Decision

First: Acceptance of the appeal procedurally.

Second: On the merits, Acceptance of the appeal, Annulment of the Decision of the Resolution Circuit, and remanding the lawsuit to it for reconsideration in accordance with the reasons set forth.

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

Decision No VA-2025-243751

Case No. V-2024-243751

Keywords:

Value Added Tax – Supplies subject to tax – Rejection of the taxpayer's appeal – Upholding the Resolution Circuit's Decision.

Summary:

The Taxpayer's appeal against the decision of the Circuit for the Resolution of Value Added Tax Violations and Disputes, whereas his request included the annulment of the decision which ruled not to hear the lawsuit due to the lack of subject matter. He clarified that the dispute relates to the administration's abstention from taking a statutorily required decision, and argued that it falls under continuous-effect decisions which are not restricted by statutory periods and appealing against them remains open. And whereas it is established to the Appeal Circuit that the appealed decision came in accordance with the provisions of the Law and was based on sound and sufficient grounds to support its ruling without the existence of anything necessitating correction or commentary; the implication of this is: rejection of the appeal and upholding 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.

Facts:

Whereas the facts of this lawsuit have been set forth in the appealed decision, the Appeal Circuit hereby refers thereto in order to avoid repetition. Whereas the Resolution Circuit's Decision ruled as follows:

Not to hear the lawsuit due to the lack of subject matter.

Whereas this decision was not accepted by the Appellant, she submitted an appeal brief to the Appeal Circuit containing her objection to the Resolution Circuit's Decision rulingnot to hear the lawsuit due to the lack of subject matter. This was on the grounds that the regulations and the administrative judiciary have established that administrative decisions wherein the administrative authority refrains from taking a decision that it was statutorily mandated to take fall within the scope of administrative decisions with continuous effect. She emphasized that the taxpayer is not required to prove the failure to act or to re-submit the grievance and objection to the administrative authority. She further defended that such decisions are not subject to statutory limitation periods, and challenging them is not bound by a specific deadline; rather, the right to challenge them remains open indefinitely until the failure to act ceases to exist, and they are not covered by the periods stipulated in the Law of the Board of Grievances and the Rules of Operation for the Committees. She concluded with a request to accept the appeal and annul the decision of the Resolution Circuit.

On Wednesday, 25/10/1446 AH, corresponding to 23/04/2025 AD, at 03:10 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures, pursuant to the provisions of Paragraph (1) of Article (15) of Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal application, the submitted memoranda, and the case file records and documents, the Committee decided to postpone the consideration of the lawsuit and to schedule an in-person session. The session was adjourned at exactly 03:45 PM.

On Tuesday, 07/12/1446 AH, corresponding to 03/06/2025 AD, at 03:29 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures, pursuant to the provisions of Paragraph (1) of Article (15) of Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the parties to the lawsuit, Mr. (...), National ID No. (...), attended in his capacity as the representative of the Appellee by virtue of Authorization No. (...) issued by the Vice Governor for Legal Affairs and Compliance at the Zakat, Tax and Customs Authority. No one representing the Appellant attended the session despite being duly notified of the session date. Upon reviewing the appeal application, the submitted memoranda, and the case file records and documents, and upon presenting the appeal to the representative of the Appellee, he replied with arguments that did not deviate from what was previously stated in the statement of defense and upheld the contents thereof. When asked if he wished to add anything further, he decided to rely on what had been previously submitted. Accordingly, the Committee decided to stay the proceedings of the lawsuit and apply Paragraph (1) of Article (28) of the Implementing Regulations of the Ways of Appealing Judgments, provided that the General Secretariat presents the case to the Committee in accordance with the aforementioned Article. The session was adjourned at exactly 03:43 PM.

On Monday, 05/01/1447 AH, corresponding to 30/06/2025 AD, at 01:15 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures, pursuant to the provisions of Paragraph (1) of Article (15) of Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the parties to the lawsuit, Mr. (...), National ID No. (...), attended in his capacity as the attorney for the Appellant by virtue of Power of Attorney No. (...), issued on (18/02/1446 AH), and Legal Practice License No. (...). Mr. (...), National ID No. (...), attended in his capacity as the representative of the Appellee by virtue of Authorization No. (...) issued by the Vice Governor for Legal Affairs and Compliance at the Zakat, Tax and Customs Authority. Upon reviewing the appeal application, the submitted memoranda, and the case file records and documents, and upon questioning the Appellant's attorney regarding the appeal, he replied with arguments that did not deviate from what was previously stated in the appeal brief and upheld the contents thereof. Upon presenting the appeal to the representative of the Appellee, he replied with arguments that did not deviate from what was previously stated in the statement of defense and upheld the contents thereof. When asked by the Committee if they wished to add anything further, they both decided to rely on what had been previously submitted. Accordingly, the Committee decided to reserve the case for deliberation in preparation for issuing the decision.

Grounds

Whereas by reviewing the lawsuit documents and the submitted appeal brief, 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 for being submitted by a person with standing and within the prescribed statutory period 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 not to hear the lawsuit due to the lack of subject matter. And whereas the Appellant objects to the Resolution Circuit's decision because the Law and the administrative judiciary have established that administrative decisions in which the administration abstained from taking a decision that it was statutorily required to take fall under continuous-effect administrative decisions. It emphasized that the Taxpayer is not required therein to prove the abstention or to resubmit the grievance and objection again to the administration, and argued that statutory periods do not apply to them, nor is appealing against them restricted to a specific deadline; rather, appealing against them remains open until the abstention ceases, and they are not covered by the periods stipulated in the Law of the Board of Grievances and the Rules of Operation for the Committees.

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 support its ruling, as the issuing Circuit undertook the scrutiny of the core of the dispute therein and concluded regarding it to the result it reached in its operative part. And whereas the Appeal Circuit did not notice regarding it anything necessitating correction or commentary in light of the submitted defenses raised before this Circuit, which leads it to conclude that they do not affect the result of the decision. Based on the foregoing, the Circuit concluded to rule the rejection of the appeal and upholding the Resolution Circuit's decision in what it concluded, carried upon its grounds.

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

Decision

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

Second: on the merits, Rejection of the Appeal submitted by (...) Company, Commercial Registration No. (...).

Value Added Tax – Domestic Purchases Subject to Value Added Tax.

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

Decision No VA-2025-33

Case No. V-2024-240667

Keywords:

Value Added Tax – Domestic purchases subject to Tax – Accepting the Authority's Appeal – Annulment of the Resolution Circuit's Decision – Annulment of the Authority's decision.

Summary:

The Appellant's lawsuit against the Appellee relating to Value Added Tax, whereas its objection centered on the Resolution Circuit's decision which ruled to reject its lawsuit regarding the exclusion of the domestic purchases item and the penalty for error in the return. The course of litigation clarified the Appellant's adherence to practicing an economic activity and its submission of documents indicating the incurrence of operational and general expenses necessary for its work, against the Appellee's argument of the necessity of applying the proportional deduction mechanism. And whereas the Appeal Circuit relied on the proven practice of the activity, and the fact that dividend distributions from subsidiary companies are not considered a supply requiring proportional deduction, in addition to the assessment notice lacking its statutory grounds; the implication of this is: acceptance of the appeal procedurally and on the merits, annulment of the Resolution Circuit's decision, and ruling anew to annul the Appellee's decision regarding the disputed domestic purchases item and the penalty for error in the return.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Articles (49/1), (51/3), and (64/2) of the Implementing Regulations of the Value Added Tax Law, issued by Decision of the Board of Directors of the General Authority of Zakat and Tax No. (3839) dated 14 Dhu al-Hijjah 1438 AH.

Facts:

Whereas the facts of this lawsuit have been set forth in the appealed decision, the Appeal Circuit hereby refers thereto in order to avoid repetition. Whereas the Resolution Circuit's Decision ruled as follows:

First: Acceptance of the lawsuit procedurally .

Second: on the merits: Rejection of the Plaintiff's lawsuit.

Whereas this decision was not accepted by the Appellant, she submitted an appeal brief to the Appeal Circuit containing her objection to the Resolution Circuit's Decision ruling the Rejection of her lawsuit concerning her objection to the final assessment notice for the tax period of the second quarter (Q2) of 2023 AD and the resulting penalty for error in the tax return. This was on the grounds that the reason for excluding the purchases under dispute was the Appellee's claim that the Appellant does not carry out an economic activity—the contrary of which was proven before the Circuit that issued the decision—and because the Committee did not request documents proving the connection of the disputed purchases to the Appellant's economic activity. She further argued that the purchases represent operational expenses, and therefore, it is inconceivable for operational expenses to be subsequent to a service supply contract. She concluded with a request to accept the appeal and annul the decision of the Resolution Circuit.

On Thursday, 19/10/1446 AH, corresponding to 17/04/2025 AD, at 01:31 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures, pursuant to the provisions of Paragraph (1) of Article (15) of Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal application, the submitted memoranda, and the case file records and documents, and whereas the lawsuit is ripe for adjudication in its current state, the Committee decided to close the pleadings and reserve the case for adjudication.

Grounds

Whereas by reviewing the lawsuit documents and the submitted appeal brief, 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 for being submitted by a person with standing and within the prescribed statutory period for its submission.

On the merits, upon the Appeal Circuit's review of the case files and examination of the documents and instruments contained therein, and after reviewing the memoranda and replies submitted by both parties, it was established to the Appeal Circuit that the decision issued by the Resolution Circuit ruled the Rejection of the Appellant's lawsuit concerning her objection to the final assessment notice for the tax period of the second quarter (Q2) of 2023 AD and the resulting penalty for error in the tax return. Whereas the Appellant objects to the Resolution Circuit's Decision due to the fact that the reason for excluding the purchases under dispute was the Appellee's claim that the Appellant does not carry out an economic activity—the contrary of which was proven before the Circuit that issued the decision—and because the Committee did not request documents proving the connection of the disputed purchases to the Appellant's economic activity, and that the purchases represent operational expenses, and therefore, it is inconceivable for operational expenses to be subsequent to a service supply contract. Upon the Appeal Circuit's review of the disputed final assessment notice, it appears that the basis for calculating the assessment was not mentioned among the stated grounds in the notice, which violates the provisions of Paragraph (2) of Article (64) of the Implementing Regulations of the Value Added Tax Law. It was proven that the Appellant carries out an economic activity pursuant to the submitted contract concluded on (27/08/2023 AD) between: 1- The First Party/Supplier ([...] Company), who is the Appellant; and 2- The Second Party/Client ([...] Company), which is a subsidiary of the Appellant. As the purpose of the contract is to provide consultancy and management services given that the First Party (the Appellant) possesses the necessary expertise to provide services required by the Second Party, it is unreasonable to provide such services without incurring operational expenses represented in administrative expenses, such as mandatory medical insurance for its employees and other expenses. This is particularly so given that the Appellant submitted insurance invoices issued under its name ([...] Company) and journal entries proving that it incurred operational costs, in addition to its funding of branches and other subsidiaries according to the submitted [...] Bank receipts, receiving consideration for a portion of employee costs, providing services to other subsidiaries, and also submitting the title deed of Company [...]. By reference to the grounds upon which the Resolution Circuit's Decision was built—concerning the lack of a link between the purchases to be deducted and the contract indicating the carrying out of an economic activity, and the lack of clarity regarding the input tax claimed for deduction within the context of the economic activity, as the contract referred to as proof of carrying out an economic activity was concluded on 27 August 2023 AD whereas the period of dispute pertains to the second quarter (Q2) of 2023 AD, and thus it was not deemed a productive defense in the lawsuit—the Appeal Circuit notes that the costs incurred are necessary operational costs for carrying out the activity performed by the Appellant with the intent of generating income. Whereas Paragraph (1) of Article (49) of the Implementing Regulations of the Value Added Tax Law stipulates that: "Without prejudice to any special provision in this Article, a Taxable Person may deduct Input Tax charged on Goods and Services supplied to him in the course of carrying out his Economic Activity..." Therefore, it is not necessary that they precede the date of the contract's conclusion or be related to it, as a service cannot be supplied without incurring the burden of operational, administrative, and general expenses. Furthermore, what was stated in the Resolution Circuit's Decision regarding the Appellant's failure to declare any revenues in the disputed tax return is irrelevant, given that the dispute centers on the validity of the claim to deduct a purchase invoice. As for the Authority's defense regarding the application of an alternative tax treatment relating to proportional deduction, it shall not be considered in this context. Paragraph (3) of Article (51) of the Regulations, concerning the proportional deduction mechanism, stipulates that: "In cases where a Taxable Person incurs Input Tax on Goods or Services used for Supplies subject to tax and makes Exempt Supplies, or where the Exempt Supply cannot be independently identified from that supply, then the proportional deduction of Input Tax shall be determined in accordance with this Article." This does not apply to the Appellant's case, as dividends received from subsidiaries do not constitute a type of supply. Paragraph (1) of Article (5) of the GCC Unified Value Added Tax Agreement stipulates that: "Supply of Goods means the transfer of ownership of such Goods or the right to dispose of them." This renders the Authority's reliance on the application of proportional deduction misplaced, and constitutes a violation of the prescribed mechanism for calculating the proportional deduction rate set forth in Paragraph (4) of Article (51) of the Implementing Regulations of the Value Added Tax Law. Accordingly, the Appeal Circuit concludes to accept the appeal.

Regarding the penalty for error in the tax return and the Appellant's request to annul the penalty resulting from the final assessment notice for the disputed tax period, since the aforementioned item has led to the acceptance of the appeal, and given that the penalty resulted therefrom, the accessory follows the principal. Accordingly, the Appeal Circuit concludes to accept the appeal with respect to the disputed penalty.

For these reasons and after deliberation, 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:

Acceptance of the appeal regarding the item of taxable purchases at the standard rate of 15%, Annulment of the Decision of the First Circuit for the Resolution of Value Added Tax Violations and Disputes in Riyadh City No. (VR-2024-228012), and Annulment of the Decision of the Zakat, Tax and Customs Authority.

Acceptance of the appeal regarding the item of the penalty for error in the tax return, Annulment of the Decision of the First Circuit for the Resolution of Value Added Tax Violations and Disputes in Riyadh City No. (VR-2024-228012), 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-2025-246849

Case No. V-2024-246849

Keywords:

Value Added Tax – Domestic purchases subject to Tax – Acceptance of the taxpayer's appeal – Annulment of the Resolution Circuit's Decision – Annulment of the Authority's decision.

Summary:

The lawsuit submitted by the Appellant against the Appellee regarding Value Added Tax, wherein her objection focused on the decision of the Resolution Circuit ruling the Rejection of her lawsuit concerning the exclusion of recovered input tax. The litigation history demonstrated the Appellant's denial of the validity of the assessment based on the change of her intention from leasing to selling, on the grounds that the sale agreement was subsequent to the assessment period and no disposal had taken place during that period. Whereas the Appeal Circuit relied on the fact that the conclusion of a prior lease agreement, the issuance of a tax invoice, and the payment of the first installment along with its due tax for the supply by virtue of a certified check were all established. Consequently, the Appeal Circuit ruled: Acceptance of the appeal procedurally and on the merits; Annulment of the Decision of the Resolution Circuit and the decision of the Appellee; and ruling anew to annul the final assessment notice under dispute.

Document

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

Facts:

Whereas the facts of this lawsuit have been set forth in the appealed decision, the Appeal Circuit hereby refers thereto in order to avoid repetition. Whereas the Resolution Circuit's Decision ruled as follows:

First: Acceptance of the lawsuit procedurally .

Second: On the merits:

a) Rejection of the Plaintiff's lawsuit regarding the request to annul the final assessment notice for the tax period of the fourth quarter (Q4) of 2023 AD, due to the exclusion of an amount of SAR (29,858,202.27) from the taxable purchases item at the standard rate, involving an input tax amount of SAR (4,478,730.37).

b) Establishing the settlement of the dispute regarding the penalty for error in the tax return for the tax period of the fourth quarter (Q4) of 2023 AD, amounting to SAR (1,119,682.59).

Whereas this decision was not accepted by the Appellant, she submitted an appeal brief to the Appeal Circuit containing her objection to the Resolution Circuit's Decision ruling the Rejection of her lawsuit regarding the request to annul the final assessment notice for the tax period of the fourth quarter (Q4) of 2023 AD. This was due to the Authority's exclusion of an amount of SAR (2,229,182.32) from the taxable purchases item and adding SAR (27,629,019.95) to the purchases adjustment item, which resulted in the exclusion of input tax amounting to SAR (4,478,730.37) on the grounds of the change in the taxpayer's intention from leasing to selling. She stated that the sale agreement was subsequent and no disposal took place until the first quarter (Q1) of 2024 AD, pointing out a legislative vacuum regarding the treatment of the change in a taxpayer's intention and its impact on the deduction and refund of input tax in a manner that harms the financial positions of taxpayers. She further argued that the Authority relied on statutory articles without providing a reasoned justification for the rejection, and concluded with a request to accept the appeal and annul the decision of the Resolution Circuit.

On Saturday, 14/10/1446 AD, corresponding to 12/04/2025 AD, at 02:15 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures, pursuant to the provisions of Paragraph (1) of Article (15) of Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal application, the submitted memoranda, and the case file records and documents, the Committee decided to postpone the consideration of the lawsuit for further study. The session was adjourned at exactly 04:00 PM.

On Sunday, 20/11/1446 AD, corresponding to 18/05/2025 AD, at 02:32 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures, pursuant to the provisions of Paragraph (1) of Article (15) of Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal application, the submitted memoranda, and the case file records and documents, the Committee requested the General Secretariat to instruct the Appellant to submit a chronological sequence of events supported by documentation from the beginning, passing through the conclusion and commencement of the lease agreement, the due date of the first lease installment and its payment date, the date of filing the Value Added

Tax return for this supply and the payment date of the resulting tax, the date of concluding the sale contract and its effective date, the title deed transfer date at the Ministry of Justice, and the payment date of the Real Estate Transaction Tax for the sale contract, within two weeks from the date hereof. The session was adjourned at exactly 03:33 PM.

On Tuesday, 21/12/1446 AH, corresponding to 17/06/2025 AD, at 01:00 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures, pursuant to the provisions of Paragraph (1) of Article (15) of Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the parties to the lawsuit, Mr. (...), National ID No. (...), attended in his capacity as the attorney for the Appellant by virtue of Power of Attorney No. (...) as the Appellant's legal representative. Mr. (...), National ID No. (...), attended in his capacity as the representative of the Appellee by virtue of Authorization No. (...) issued by the Vice Governor for Legal Affairs and Compliance at the Zakat, Tax and Customs Authority. Upon reviewing the appeal application, the submitted memoranda, and the case file records and documents, and upon questioning the Appellant's attorney regarding the appeal, he replied with arguments that did not deviate from what was previously stated in the appeal brief and upheld the contents thereof. Upon presenting the appeal to the representative of the Appellee, he replied with arguments that did not deviate from what was previously stated in the statement of defense and upheld the contents thereof. When asked by the Committee if they wished to add anything further, they both decided to rely on what had been previously submitted. Whereas the lawsuit is ripe for adjudication in its current state, the Committee decided to close the pleadings and reserve the case for adjudication.

Grounds

Whereas by reviewing the lawsuit documents and the submitted appeal brief, 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 for being submitted by a person with standing and within the prescribed statutory period for its submission.

On the merits, upon the Appeal Circuit's review of the case files and examination of the documents and instruments contained therein, and after reviewing the memoranda and replies submitted by both parties, it was established to the Appeal Circuit that the decision issued by the Resolution Circuit ruled the Rejection of the Appellant's lawsuit regarding the request to annul the final assessment notice for the tax period of the fourth quarter (Q4) of 2023 AD. Whereas the Appellant objects to the Resolution Circuit's Decision due to the fact that the Authority excluded an amount of SAR (2,229,182.32) from the taxable purchases item and added SAR (27,629,019.95) to the purchases adjustment item, which resulted in the exclusion of input tax amounting to

SAR (4,478,730.37) on the grounds of the change in the taxpayer's intention from leasing to selling. She stated that the sale agreement was subsequent and no disposal took place until the first quarter (Q1) of 2024 AD, pointing out a legislative vacuum regarding the treatment of the change in a taxpayer's intention and its impact on the deduction and refund of input tax in a manner that harms the financial positions of taxpayers, and defended that the Authority relied on statutory articles without providing a reasoned justification for the rejection.

Upon the Appeal Circuit's review of the case documents and the grounds for exclusion according to the "Assessment Summary", which states: "purchases not eligible for deduction pursuant to Paragraph (2) of Article (51) of the Implementing Regulations", and whereas it was proven that the Appellant concluded a lease agreement prior to the sale contract, issued a tax invoice against the first lease installment, and submitted a certified check for the value of the first installment of the lease along with the value of the resulting Value Added Tax; accordingly, the Appeal Circuit concludes to accept the appeal on the merits, annul the decision of the Resolution Circuit, and annul the decision of the Appellee.

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

Decision

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

Second: On the merits: 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 No. (VR-2024-243113), and Annulment of the Decision of the Appellee.

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 subject to Tax – Rejection of the Authority's appeal – Amendment of the Operative Part of the Resolution Circuit's Decision – Amendment of the penalties consequent to the amendment of the decision.

Summary:

The lawsuit submitted by the Appellant against the Appellee regarding Value Added Tax, wherein her objection focused on the decision of the Resolution Circuit ruling the amendment of the assessment decision for the local purchases item and its related Penalties. The litigation history demonstrated the Appellant's adherence to the fact that the invoice under dispute violated the statutory requirements, and that the total amount eligible for statutory deduction was incorrect. Whereas the Appeal Circuit relied on examining the invoice documents and the submitted tax return, which proved to the Committee that the actual taxable value was less than what had been calculated in the Resolution Circuit's Decision. Consequently, the Appeal Circuit ruled: Acceptance of the appeal procedurally; and on the merits, dismissing it while Amendment of the Operative Part to state that the taxable amount is SAR (43,492.68), and amending the Penalties for error in the tax return and late payment consequently.

Document

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

Facts:

Whereas the facts of this lawsuit have been set forth in the appealed decision, the Appeal Circuit hereby refers thereto in order to avoid repetition. Whereas the Resolution Circuit's Decision ruled as follows:

First: Acceptance of the lawsuit procedurally .

Second: On the merits:

1- Amending the Defendant's (the Authority) decision regarding the item of Domestic purchases subject to Tax at the rate of 15% for the tax period of the third quarter (Q3) of 2022 AD, by accepting an amount of SAR (515,201.09) five hundred fifteen thousand two hundred one Saudi Riyals and nine Halalas, establishing the settlement of the dispute in the amount of SAR (16,250) sixteen thousand two hundred fifty Saudi Riyals, and dismissing any claims otherwise.
2- Amending the Defendant's (the Authority) decision regarding the imposition of the penalty for error in filing the tax return for the tax period of the third quarter (Q3) of 2022 AD.
3- Amending the Defendant's (the Authority) decision regarding the imposition of the late payment penalty for the tax period of the third quarter (Q3) of 2022 AD.

Whereas this decision was not accepted by the Appellant, she submitted an appeal brief to the Appeal Circuit containing her objection to the Resolution Circuit’s Decision ruling the amendment of its decision regarding the item of Domestic purchases subject to Tax at the rate of 15% for the tax period of the third quarter (Q3) of 2022 AD and the resulting Penalties. This was on the grounds that invoice No. (…) dated 30/09/2022 AD issued by the supplier ([…] Company)—the deduction of which the Appellee requests to accept—was proven to violate one of the requirements of a tax invoice, as it did not clearly include the applicable tax rate. The Appellant further pointed out that the correct taxable amount for the invoice of supplier (…) is SAR (43,492.68) and the tax amount to be deducted for the consolidated invoice No. (…) is SAR (6,523.9) only, concluding with a request to accept the appeal and annul the decision of the Resolution Circuit.

On Saturday, 25/12/1446 AH, corresponding to 21/06/2025 AD, at 01:32 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures, pursuant to the provisions of Paragraph (1) of Article (15) of Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal application, the submitted memoranda, and the case file records and documents, the Committee decided to postpone the consideration of the lawsuit for further study. The session was adjourned at exactly 02:08 PM.

On Sunday, 11/01/1447 AH, corresponding to 06/07/2025 AD, at 12:40 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures, pursuant to the provisions of Paragraph (1) of Article (15) of Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal application, the submitted memoranda, and the case file records and documents, and whereas the lawsuit is ripe for adjudication in its current state, the Committee decided to close the pleadings and reserve the case for adjudication.

Grounds

Whereas by reviewing the lawsuit documents and the submitted appeal brief, 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 for being submitted by a person with standing and within the prescribed statutory period for its submission.

On the merits, upon the Appeal Circuit's review of the case files and examination of the documents and instruments contained therein, and after reviewing the memoranda and replies submitted by both parties, it was established to the Appeal Circuit that the decision issued by the Resolution Circuit ruled the amendment of the Appellant's decision regarding the item of Domestic purchases subject to Tax at the rate of 15% for the tax period of the third quarter (Q3) of 2022 AD and the resulting Penalties. Whereas the Appellant objects to the Resolution Circuit's Decision due to the fact that invoice No. (...) dated 30/09/2022 AD issued by the supplier ([...] Company)—the deduction of which the Appellee requests to accept—was proven to violate one of the requirements of a tax invoice, as it did not clearly include the applicable tax rate. The Appellant further pointed out that the correct taxable amount for the invoice of supplier (...) is SAR (43,492.68) and the tax amount to be deducted for the consolidated invoice No. (...) is SAR (6,523.9) only.

With regard to the Appellant's objection to "accepting the deduction of purchases", as it is established that the appealed decision regarding the dispute under consideration was compliant with the provisions of the Law and based on sound and sufficient grounds to support its ruling, given that the Committee that issued it examined the core of the dispute therein and reached the conclusion set forth in its operative part, and whereas the Appeal Circuit did not find any matter therein requiring amendment or comment in light of the arguments raised before this Circuit, it therefore concludes that such arguments do not affect the outcome of the decision. Based on the foregoing, the Committee concludes to reject the appeal and uphold the decision of the Resolution Circuit as to its findings, carried upon its own grounds.

With regard to the Appellant's objection to the "amount" subject to Value Added Tax in invoice No. (...) dated (30/09/2022 AD), upon the Appeal Circuit's review of the disputed tax invoice, it was proven that the total taxable amount is estimated at SAR (43,492.68) and not SAR (510,401.04), particularly given that the Appellee, when filing the tax return for the period under dispute, included under the item of Domestic purchases subject to Tax at the standard rate an amount of SAR (221,795) only, in accordance with the tax return submitted in the case file. Accordingly, the Appeal Circuit concludes to amend Item No. (1) of the operative part of the Resolution Circuit's Decision, so that the amount subject to Value Added Tax in invoice No. (...) dated (30/09/2022 AD) shall be SAR (43,492.68) forty-three thousand four hundred ninety-two Saudi Riyals and sixty-eight Halalas, instead of SAR (510,401.04) five hundred ten thousand four hundred one Saudi Riyals and four Halalas.

Regarding the Penalties for error in the tax return and late payment, and the Appellant's request to annul those Penalties resulting from the final assessment notice for the disputed tax period, since the aforementioned purchases item has led to the Rejection of the appeal with the amendment of the amount, and given that the Penalties resulted therefrom, the accessory follows the principal. Accordingly, the Appeal Circuit concludes to reject the appeal while amending the decision of the Resolution Circuit regarding the disputed Penalties in accordance with the above.

For these reasons and after statutory deliberation, 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- Rejection of the Appeal regarding the item of Domestic purchases subject to Tax at the standard rate, and amending Item No. (1) of the operative part of the Resolution Circuit's Decision so that the amount subject to Value Added Tax in invoice No. (...) dated (30/09/2022 AD) shall be SAR (43,492.68) forty-three thousand four hundred ninety-two Saudi Riyals and sixty-eight Halalas, instead of SAR (510,401.04) five hundred ten thousand four hundred one Saudi Riyals and four Halalas.
2- Rejection of the Appeal regarding the item of the penalty for error in the tax return, and amending the decision of the Resolution Circuit in accordance with what is stated in (Second/1) above.
3- Rejection of the Appeal regarding the item of the late payment penalty, and amending the decision of the Resolution Circuit in accordance with what is stated in (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-2024-247734

Keywords:

Value Added Tax – Domestic purchases subject to Tax – Partial Rejection of the Taxpayer's Appeal – Partial upholding of the Resolution Circuit's decision – Annulment of the Resolution Circuit's Decision Regarding the Penalty for Error in the Tax Return.

Summary:

he Appellant's lawsuit against the Appellee relating to Value Added Tax, whereas his objection centered on the Resolution Circuit's decision which ruled to reject his lawsuit regarding the amendment of the returns and purchases items and their penalties. The course of litigation clarified the upholding of the exclusion of the sales returns and purchases items and the penalty for delay in payment due to the soundness of their grounds, along with the inadmissibility of combining the evasion and error penalties for the same incident. And whereas the Appeal Circuit relied on the proven evasion, against the necessity of publishing the regulatory decision regulating the penalty value to the public, which dictates imposing the evasion penalty at its statutory minimum limit; the implication of this is: acceptance of the appeal procedurally, and on the merits by upholding the returns, purchases, and delay in payment items, and amending the evasion penalty to be in the amount of (1,248,000) Riyals, and the annulment of the penalty for error in the return.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- The Value Added Tax Law, issued by Royal Decree No. (M/113) dated 02/11/1438 AH.
- The Implementing Regulations of the Value Added Tax Law, issued by Decision of the Board of Directors of the General Authority of Zakat and Tax No. (3839) dated 14 Dhu al-Hijjah 1438 AH.

Facts:

Whereas the facts of this lawsuit have been set forth in the appealed decision, the Appeal Circuit hereby refers thereto in order to avoid repetition. Whereas the Resolution Circuit's Decision ruled as follows:

- First: Acceptance of the lawsuit procedurally .
- Second: Rejection of the Plaintiff's lawsuit.

Whereas this decision was not accepted by the Appellant, he submitted an appeal brief to the Appeal Circuit containing his objection to the Resolution Circuit's Decision ruling the Rejection of his lawsuit regarding his objection to the tax assessment for the first quarter (Q1) of 2022 AD and to the imposed Penalties. With regard to the exclusion of sales returns amounting to SAR (1,430,000), the Appellant argued that he had submitted documents proving the validity of the disputed sales returns, noting that a prior tax return for the tax period under dispute had been filed, which proves the existence of sales returns at the exact same value declared. With regard to the taxable purchases at the standard rate of 15% amounting to SAR (6,890,000), the Appellant pointed out that he had submitted a tax invoice demonstrating the eligibility for deduction pursuant to the provisions of Paragraph (7) of Article (49) of the Implementing Regulations of the Value Added Tax Law. He further stated that neither the Resolution Circuit nor the Authority specified or clarified what other documents would prove that the tax amount had been incurred, given that a "promissory note" had previously been submitted to the Appellee as proof of incurring the tax, along with a confirmation from the supplier ("..." Establishment) verifying the validity of the invoice and a description of the services rendered. As for the tax evasion penalty, the Appellant pointed out that he did not admit to, nor validate, the contents of the investigation report, and that he refused to sign it because it contained contradictory statements. He concluded with a request to accept the appeal and annul the decision of the Resolution Circuit.

On Wednesday, 07/01/1447 AH, corresponding to 02/07/2025 AD, at 12:30 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures, pursuant to the provisions of Paragraph (1) of Article (15) of Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal application, the submitted memoranda, and the case file records and documents, and whereas the lawsuit is ripe for adjudication in its current state, the Committee decided to close the pleadings and reserve the case for adjudication.

Grounds

Whereas by reviewing the lawsuit documents and the submitted appeal brief, 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 for being submitted by a person with standing and within the prescribed statutory period for its submission.

On the merits, upon the Appeal Circuit's review of the case files and examination of the documents and instruments contained therein, and after reviewing the memoranda and replies submitted by both parties, it was established to the Appeal Circuit that the decision issued by the Resolution Circuit ruled the Rejection of the Appellant's lawsuit regarding his objection to the tax assessment for the first quarter (Q1) of 2022 AD and to the imposed Penalties. Whereas the Appellant objects to the Resolution Circuit's Decision on the grounds that he submitted documents proving the validity of the disputed sales returns—noting that a prior tax return for the tax period under lawsuit had been filed, which proves the existence of sales returns at the exact same value declared—with respect to the exclusion of sales returns amounting to SAR (1,430,000) and the late payment penalty resulting therefrom. With regard to the taxable purchases at the standard rate of 15% amounting to SAR (6,890,000) and the late payment penalty resulting therefrom, the Appellant pointed out that he had submitted a tax invoice demonstrating the eligibility for deduction pursuant to the provisions of Paragraph (7) of Article (49) of the Implementing Regulations of the Value Added Tax Law. He further stated that neither the Resolution Circuit nor the Authority specified or clarified what other documents would prove that the tax amount had been incurred, given that a "promissory note" had previously been submitted to the Appellee as proof of incurring the tax, along with a confirmation from the supplier ("..." Establishment) verifying the validity of the invoice and a description of the services rendered.

As it is established that the appealed decision regarding the dispute under consideration was compliant with the provisions of the Law and based on sound and sufficient grounds to support its ruling, given that the Committee that issued it examined the core of the dispute therein and reached the conclusion set forth in its operative part, and whereas the Appeal Circuit did not find any matter therein requiring amendment or comment in light of the arguments raised before this Circuit, it therefore concludes that such arguments do not affect the outcome of the decision. Based on the foregoing, the Committee concludes to reject the appeal and uphold the decision of the Resolution Circuit as to its findings, carried upon its own grounds.

Regarding the tax evasion penalty, the Appellant objects to the Resolution Circuit's Decision due to his non-admission and contesting the validity of the contents of the investigation report, as well as his refusal to sign it because it contained contradictory statements.

Upon the Appeal Circuit's review of the case documents, whereas it is established that the Authority imposed the tax evasion penalty based on the Board of Directors of the General Authority of Zakat and Tax Decision No. (7-3-2017) dated 12/3/1439 AH, approving the internal criteria for determining the value of the financial penalty for tax evasion violations under the Value Added Tax Law. Whereas the aforementioned Board of Directors' decision was issued in implementation of Article (48) of the Value Added Tax Law, which stipulates that: "The Authority shall inflict the penalties provided for in this Law in accordance with a classification of violations and determination of penalties issued by a decision of the Board of Directors, taking into account the proportionality between the violation and the penalty," this decision is deemed a regulatory decision issued pursuant to the Value Added Tax Law enacted by Royal Decree No. (M/113) dated 02/11/1438 AH. Whereas this type of decision bears a regulatory nature and contains general and abstract rules applicable to all individuals meeting the criteria set forth in the decision, thereby affecting their legal positions, the law requires the notification and publication of such decisions to the general public, and the burden of proving such publication falls upon the Administration, which is consistent with established judicial principles. Whereas the publication of the said decision has not been proven, the application of Article (40) of the Value Added Tax Law shall be effected 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, while amending the amount of the penalty to be at its minimum limit in the amount of SAR (1,248,000) one million two hundred forty-eight thousand Saudi Riyals, and amending the decision of the Resolution Circuit and the decision of the Zakat, Tax and Customs Authority accordingly.

As for the penalty for error in the tax return, there is no merit in the Authority's imposition of the penalty for error in the tax return, as it has, in this instance, issued two penalties for the exact same violation, namely the tax evasion penalty and the penalty for error in the tax return. Furthermore, the penalty for error in the tax return is imposed in cases where tax evasion is absent, given that an error in the tax return presupposes the absence of an intent to evade, as the penalty for error in the tax return is applied in situations where the taxpayer makes an error in their tax return without any intent of tax evasion. Based on the foregoing, the Appeal Circuit concludes to accept the appeal, annul the decision of the Resolution Circuit regarding the penalty for error in the tax return, and annul the decision of the Zakat, Tax and Customs Authority in respect thereof.

As for the late payment penalty, as it is established that the appealed decision regarding the dispute under consideration was compliant with the provisions of the Law and based on sound and sufficient grounds to support its ruling, given that the Committee that issued it examined the core of the dispute therein and reached the conclusion set forth in its operative part, and whereas the Appeal Circuit did not find any matter therein requiring amendment or comment in light of the arguments raised before this Circuit, it therefore concludes that such arguments do not affect the outcome of the decision. Based on the foregoing, the Committee concludes to reject the appeal and uphold the decision of the Resolution Circuit as to its findings, carried upon its own grounds.

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: On the merits:

1- Rejection of the Appeal regarding the sales returns item amounting to SAR (1,430,000) one million four hundred thirty thousand Saudi Riyals, and upholding the decision of the Resolution Circuit.
2- Rejection of the Appeal regarding the taxable purchases item at the standard rate of 15% amounting to SAR (6,890,000) six million eight hundred ninety thousand Saudi Riyals, and upholding the decision of the Resolution Circuit.
3- Rejection of the Appeal regarding the imposition of the tax evasion penalty, while amending the amount of the penalty to be at its minimum limit in the amount of SAR (1,248,000) one million two hundred forty-eight thousand Saudi Riyals, and amending the decision of the Resolution Circuit and the decision of the Zakat, Tax and Customs Authority accordingly.
4- Acceptance of the appeal regarding the penalty for error in the tax return, Annulment of the Decision of the Resolution Circuit, and Annulment of the Decision of the Zakat, Tax and Customs Authority.
5- Rejection of the Appeal regarding the late payment penalty, and upholding the decision of the Resolution Circuit.

Appeal Committee for Tax Violations and Disputes

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

Decision No VA-2025-247817

Case No. V-2024-247817

Keywords:

Value Added Tax – Domestic purchases subject to Tax – Partial Rejection of the Taxpayer's Appeal – Partial upholding of the Resolution Circuit's decision.

Summary:

The Appellant's lawsuit against the Appellee relating to Value Added Tax, whereas his objection centered on the Resolution Circuit's decision which ruled to reject his lawsuit regarding the tax assessment for the purchases item and the imposed penalties. The course of litigation clarified the Appellant's inability to provide proof of payment for the disputed invoice, along with the inadmissibility of combining the evasion and error penalties for the same incident. And whereas the Appeal Circuit relied on the establishment of the presumption of evasion due to the failure to prove payment, against the necessity of publishing the regulatory decision regulating the calculation of the penalty to the public; the implication of this is: acceptance of the appeal procedurally, and on the merits by upholding the purchases item, amending the evasion penalty by imposing it at its minimum limit, and the annulment of the penalty for error in the return.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- The Value Added Tax Law, issued by Royal Decree No. (M/113) dated 02/11/1438H.
- The Implementing Regulations of the Value Added Tax Law, issued by Decision of the Board of Directors of the General Authority of Zakat and Tax No. (3839) dated 14 Dhu al-Hijjah 1438H.

Facts:

Whereas the facts of this lawsuit have been set forth in the appealed decision, the Appeal Circuit hereby refers thereto in order to avoid repetition. Whereas the Resolution Circuit's Decision ruled as follows:

First: Acceptance of the lawsuit procedurally .

Second: Rejection of the Plaintiff's lawsuit.

And whereas this decision did not meet the Appellant's acceptance, he submitted an appeal brief to the Appeal Circuit containing his objection to the Resolution Circuit's decision which ruled to reject his lawsuit regarding his objection to the tax assessment for the first quarter of 2022 and the imposed penalties. This is due to his submission of a tax invoice indicating the right to deduction in accordance with 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 other documents prove the bearing of the tax amount, as a "promissory note" was previously submitted to the Appellee as proof of bearing the tax, along with a confirmation from the supplier "(...) Establishment" regarding the validity of the invoice and a description of the provided services, with respect to the purchases item and the penalties resulting therefrom. As for the tax evasion penalty, the Appellant indicated that the purchases pertain to goods whose actual value he does not know, and he concluded by requesting the acceptance of the appeal and the annulment of the Resolution Circuit's decision.

On Wednesday, 07/01/1447 AH, corresponding to 02/07/2025 AD, at 01:10 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures, pursuant to the provisions of Paragraph (1) of Article (15) of Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal application, the submitted memoranda, and the case file records and documents, and whereas the lawsuit is ripe for adjudication in its current state, the Committee decided to close the pleadings and reserve the case for adjudication.

Grounds

Whereas by reviewing the lawsuit documents and the submitted appeal brief, 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 for being submitted by a person with standing and within the prescribed statutory period for its submission.

On the merits, upon the Appeal Circuit's review of the case files and examination of the documents and instruments contained therein, and after reviewing the memoranda and replies submitted by both parties, it was established to the Appeal Circuit that the decision issued by the Resolution Circuit ruled the Rejection of the Appellant's lawsuit regarding his objection to the tax assessment for the first quarter (Q1) of 2022 AD and to the imposed Penalties. Regarding the item of taxable purchases at the standard rate of 15% in the amount of SAR (26,755,000), the Appellant objects to the Resolution Circuit's Decision on the grounds that he submitted a tax invoice demonstrating eligibility for deduction pursuant to Paragraph (7) of Article (49) of the Implementing Regulations of the Value Added Tax Law. He further noted that neither the Resolution Circuit nor the Authority specified or clarified what other documents would prove that the tax amount had been incurred, given that a "promissory note" had previously been submitted to the Appellee as proof of incurring the tax, along with a confirmation from the supplier ("..." Establishment) verifying the validity of the invoice and a description of the services rendered.

As it is established that the appealed decision regarding the dispute under consideration was compliant with the provisions of the Law and based on sound and sufficient grounds to support its ruling, given that the Committee that issued it examined the core of the dispute therein and reached the conclusion set forth in its operative part, and whereas the Appeal Circuit did not find any matter therein requiring amendment or comment in light of the arguments raised before this Circuit, it therefore concludes that such arguments do not affect the outcome of the decision. Based on the foregoing, the Committee concludes to reject the appeal and uphold the decision of the Resolution Circuit as to its findings, carried upon its own grounds.

Regarding the tax evasion penalty, the Appellant objects to the Resolution Circuit's Decision on the grounds that the purchases pertained to goods whose actual value was unknown to him.

Upon the Appeal Circuit's review of the case documents, and whereas it is established that the Appellant submitted a request to the Authority to deduct purchases, which included deducting the value of a tax invoice amounting to SAR (30,768,250), inclusive of the tax amount; and whereas it is established that the Authority requested the Appellant to provide proof of payment for that invoice and payment of the tax related thereto, but the Appellant failed to provide proof of paying said invoice and its tax; and whereas the amount of the aforementioned invoice is considered relatively large and is paid—according to the ordinary course of affairs—via bank transfer, certified checks, or standard checks; and whereas the Appellant failed to provide proof of payment as requested by the Authority, this constitutes proof of an intent to evade tax. Furthermore, the burden of proving the absence of an intent to evade rests upon the taxable person; accordingly, the violation of tax evasion is hereby established in accordance with the above reasoning. As for the value of the imposed penalty, whereas it is established that the Authority imposed the tax evasion penalty based on the Board of Directors of the General Authority of Zakat and Tax Decision No. (7-3-2017) dated 12/3/1439 AH approving the internal criteria for determining the value of the financial penalty for tax evasion violations under the Value Added Tax Law; and whereas the aforementioned decision of the Board of Directors was issued in implementation of Article (48) of the Value Added Tax Law, which stipulates that: "The Authority shall inflict the penalties provided for in this Law in accordance with a classification of violations and determination of penalties issued by a decision of the Board of Directors, taking into account the proportionality between the violation and the penalty," this decision is deemed a regulatory decision issued pursuant to the Value Added Tax Law enacted by Royal Decree No. (M/113) dated 02/11/1438 AH. Whereas this type of decision bears a regulatory nature and contains general and abstract rules applicable to all individuals meeting the criteria set forth in the decision, thereby affecting their legal positions, the law requires the notification and publication of such decisions to the general public, and the burden of proving such publication falls upon the Administration, which is consistent with established judicial principles. Whereas the publication of the said decision has not been proven, the application of Article (40) of the Value Added Tax Law shall be effected 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 tax evasion penalty while amending the grounds of the Resolution Circuit's Decision to be in accordance with the above, amending the tax evasion penalty to be imposed at its minimum limit in the amount of SAR (4,013,250) four million thirteen thousand two hundred fifty Saudi Riyals, and Amendment of the decision of the Zakat, Tax and Customs Authority accordingly.

As for the penalty for error in the tax return, there is no merit in the Authority's imposition of the penalty for error in the tax return, as it has, in this instance, issued two penalties for the exact same violation, namely the tax evasion penalty and the penalty for error in the tax return. Furthermore, the penalty for error in the tax return is imposed in cases where tax evasion is absent, given that an error in the tax return presupposes the absence of an intent to evade, as the penalty for error in the tax return is applied in situations where the taxpayer makes an error in their tax return without any intent of tax evasion. Based on the foregoing, the Appeal Circuit concludes to accept the appeal, annul the decision of the Resolution Circuit regarding the penalty for error in the tax return, and annul the decision of the Zakat, Tax and Customs Authority in respect thereof.

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: On the merits:

Rejection of the Appeal regarding the taxable purchases item at the standard rate of 15% in the amount of SAR (26,755,000) twenty-six million seven hundred fifty-five thousand Saudi Riyals, and upholding the decision of the Resolution Circuit.

Rejection of the Appeal regarding the tax evasion penalty while amending the grounds of the Resolution Circuit's Decision to be in accordance with the above, amending the tax evasion penalty to be imposed at its minimum limit in the amount of SAR (4,013,250) four million thirteen thousand two hundred fifty Saudi Riyals, and Amendment of the decision of the Zakat, Tax and Customs Authority accordingly.

Acceptance of the appeal regarding the penalty for error in the tax return, Annulment of the Decision of the Resolution Circuit, and Annulment of the Decision of the Zakat, Tax and Customs Authority in respect thereof.

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

Decision No VA-2025-142

Case No. V-2024-246321

Keywords:

Value Added Tax – Domestic purchases subject to Tax – Partial Acceptance of the taxpayer's appeal – Annulment of the Resolution Circuit's Decision Regarding the Item of Taxable Purchases – Upholding the Resolution Circuit's decision in all other respects.

Summary:

The Appellant's lawsuit against the Appellee regarding Value Added Tax, whereas it challenged the Resolution Circuit's decision which upheld the procedure of excluding the administrative services invoices from its domestic purchases item. The Appellant argued the connection of these costs to its economic activity, represented in the construction of its medical facility, and its actual incurrence of those expenses that meet the conditions. And whereas the Appeal Circuit relied on the examination of the invoices and financial statements which proved the Appellant's bearing of the financial costs and its benefit from them in supporting its direct activity; the implication of this is: acceptance of the appeal procedurally and on the merits, annulment of the Resolution Circuit's decision and the Appellee's decision regarding the exclusion of the amount of (10,983,444.36) Riyals from the domestic purchases item subject to the standard rate.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- The Implementing Regulations of the Value Added Tax Law, issued by Decision of the Board of Directors of the General Authority of Zakat and Tax No. (3839) dated 14 Dhu al-Hijjah 1438 AH.

Facts:

Whereas the facts of this lawsuit have been set forth in the appealed decision, the Appeal Circuit hereby refers thereto in order to avoid repetition. Whereas the Resolution Circuit's Decision ruled as follows:

First: Acceptance of the lawsuit procedurally.

Second: On the merits:

1- Rejection of the lawsuit of the Plaintiff (... Company), Commercial Registration No. (...), and upholding the Defendant's procedure of excluding the disputed invoice amounts regarding the item of taxable purchases at the standard rate of 15% for the tax period under lawsuit.
2- Recording the settlement of the dispute between the two parties regarding the item of taxable imports subject to the 15% rate to which the annul charge mechanism applies for the tax period under lawsuit.

Whereas this decision was not accepted by the Appellant, she submitted an appeal brief to the Appeal Circuit containing her objection to the Resolution Circuit's Decision ruling the Rejection of her lawsuit concerning her objection to the Appellee's (the Authority's) decision to exclude the disputed invoice amounts regarding the item of taxable purchases at the standard rate of 15% for the tax period under lawsuit. The Appellant argued that (...) Company is a Saudi company registered with the Authority whose economic activity consists of providing healthcare services. The company is currently constructing (...) to provide these services in the near future. Accordingly, the company did not declare any taxable sales in its previously submitted Value Added Tax returns, but declared taxable purchases for expenses incurred in connection with pre-operational construction expenses related to Supplies subject to tax that will be generated subsequently (namely, professional and advisory services). She further states that the company is indirectly owned by two funds, "... Fund" and "... Fund", as shown in the attached ownership structure of (...) Company; and that the fund manager, "... Company", levies fees on the company in exchange for administrative services provided in connection with the hospital currently under construction, and that it manages the funds which are the ultimate owners of (...) Company. Furthermore, it manages operations and holds three out of five board seats in (...) Company, and nominated the company's General Manager; hence, all administrative authorities are entrusted to them. She also points out that the company does not have its own permanent Chief Executive Officer (CEO) or Chief Financial Officer (CFO), but relies on the support provided by the CEO and CFO of the funds. The Appellant further states that the expenses related to the services provided by the supplier fall within the ordinary economic activity of the fund, were accurately recorded in the company's books, and were disclosed in the financial statements that were reviewed and approved by the statutory auditor. She concluded with a request to accept the appeal and annul the decision of the Resolution Circuit.

On Sunday, 06/11/1446 AH, corresponding to 04/05/2025 AAD, at 03:28 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded above, via visual communication in accordance with remote litigation procedures, pursuant to the provisions of Paragraph (1) of Article (15) of Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal application, the submitted memoranda, and the case file records and documents, and whereas the lawsuit is ripe for adjudication in its current state, the Committee decided to close the pleadings and reserve the case for adjudication.

Grounds

Whereas by reviewing the lawsuit documents and the submitted appeal brief, 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 for being submitted by a person with standing and within the prescribed statutory period for its submission.

On the merits, upon the Appeal Circuit's review of the case files and examination of the documents and instruments contained therein, and after reviewing the memoranda and replies submitted by both parties, it was established to the Appeal Circuit that the Appellant objects to the Resolution Circuit's Decision ruling the Rejection of her lawsuit regarding her objection to the Appellee's (the Authority's) decision to exclude the disputed invoice amounts regarding the item of taxable purchases at the standard rate of 15% for the tax period under lawsuit. Whereas Paragraph (1) of Article (49) of the Implementing Regulations of the Value Added Tax Law stipulates that: "Without prejudice to any specific provision in this Article, a Taxable Person may deduct Input Tax charged on Goods and Services supplied to him in the course of carrying on his Economic Activity, to the extent that these enable him to make the following supplies: a) Supplies subject to tax, including Zero-rated Supplies; b) Intra-GCC Supplies; c) Supplies that would have been taxable if made within the Kingdom."

Also, paragraph (7) of Article (49) of the Implementing Regulations of the Value Added Tax Law stipulates that: "Input Tax may only be deducted if the Taxable Person holds proof that the Input Tax was paid or payable as determined under Article 48 of the Agreement. In cases where the Taxable Person does not possess the specific documentation specified in the Agreement, he may claim a deduction if he is able to provide the following alternative evidence to the Authority: a) A simplified tax invoice issued correctly in accordance with these Regulations; b) Where the supply results from a transfer of goods to another Member State, a commercial document or any other document proving the value on the basis of which VAT was calculated on the date of transfer; c) Other commercial documents permitted at the Authority's discretion, establishing that the Taxable Person was properly charged and paid the relevant VAT." Upon examining the case file and the submissions therein, it was established to the Committee that the Appellant provided a total of (7) tax invoices fulfilling the conditions specified in Paragraph (5) of Article (53) of the Regulations, totaling SAR (10,983,444.36) with a tax amount of SAR (1,647,516.65), issued by the supplier (... Company) to the Appellant (... Company) for administrative services provided. Upon reviewing the attached ownership structure titled (...), it is evident that the Appellant company is owned by two funds, "... Fund" and "... Fund", and that the fund manager (... Company) levies fees on the Appellant company in exchange for administrative services provided in connection with the hospital currently under construction.

Upon reviewing Clause (2.4) of the Terms and Conditions, it is evident that it stipulates: "The Fund (in addition to other investment instruments managed by the Fund Manager or one of its affiliates) will hold shares in (...)

Company ('the New Company'), which will be established in the Kingdom of Saudi Arabia for the primary purpose of investing in the healthcare sector across all regions of the Kingdom of Saudi Arabia. The Fund's first investment is expected to be the construction of a new hospital in Jeddah, Kingdom of Saudi Arabia, which will be owned and operated by (...) Company." This proves that the administrative services provided to serve the hospital are closely linked to the Appellant's economic activity, given that the hospital is owned and operated by her. Furthermore, as evidenced by the authorization letter provided in the Authority's reply memorandum, the Appellant is the party that paid the fees. Additionally, upon reviewing the financial statements submitted by the Appellant, Note No. (16.1) explicitly states: "16.1 Management fee is related to (...) Saudi Arabia, in relation to management services provided to the Company", meaning that the management fees relate to management services provided by (...) to the Appellant company. This conclusion is not undermined by the Authority's argument based on Clause (2.11) of the Terms and Conditions, which provides that the owning funds have the right to delegate the company to pay management costs on their behalf; as reference to this right does not negate the fact that the Appellant company actually incurred the financial costs of those services and utilized them to support her direct economic activity consisting of constructing and operating the hospital. Accordingly, the Committee concluded to accept the appeal under this item.

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

Decision

First: Acceptance of the appeal procedurally .

Second: On the merits, Acceptance of the appeal, Annulment of the Decision of the Resolution Circuit, and Annulment of the Decision of the Zakat, Tax and Customs Authority regarding the exclusion of SAR (10,983,444.36) ten million nine hundred eighty-three thousand four hundred forty-four Saudi Riyals and thirty-six Halalas from the item of Domestic purchases subject to the standard rate.

Third: Upholding the decision of the Resolution Circuit, with the exception of what is stated in item "Second" above.

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

Decision No VA-2025-243566

Case No. V-2024-243566

Keywords:

Value Added Tax – Domestic purchases subject to Tax – Partial Acceptance of the taxpayer's appeal – Annulment of the Resolution Circuit's Decision Regarding the Reassessment of the Purchases Item – Upholding the Resolution Circuit's Decision Regarding the Penalties Item.

Summary:

The Appellant's lawsuit against the Appellee relating to Value Added Tax, whereas his objection centered on the Resolution Circuit's decision which ruled to reject his lawsuit regarding the amendment of the purchases item. The course of litigation clarified the Plaintiff's re-filing of a new lawsuit on the same subject matter despite the existence of a prior ongoing lawsuit, along with his failure to initially file a grievance against the principal tax. And whereas the Appeal Circuit relied on the fact that registering a lawsuit in the presence of another ongoing one is considered statutorily defective, and it was proven that his previous objection before the Appellee was confined solely to the penalties item; the implication of this is: acceptance of the appeal procedurally, and on the merits by annulling the Resolution Circuit's decision regarding the purchases item and ruling anew the non-acceptance of the lawsuit procedurally, and upholding the decision regarding the penalties item.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- The Implementing Regulations of the Value Added Tax Law, issued by Decision of the Board of Directors of the General Authority of Zakat and Tax No. (3839) dated 14 Dhu al-Hijjah 1438H.
- Article (75) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1), dated 22/01/1435 AH.

Facts:

Whereas the facts of this lawsuit have been set forth in the appealed decision, the Appeal Circuit hereby refers thereto in order to avoid repetition. Whereas the Resolution Circuit's Decision ruled as follows:

First: Acceptance of the lawsuit procedurally .

Second: Recording the settlement of the dispute regarding the penalty for error in the tax return for the tax period under lawsuit.

Third: Rejection of all other requests.

Whereas this decision was not accepted by the Appellant, he submitted an appeal brief to the Appeal Circuit containing his objection to the Resolution Circuit's Decision ruling to record the termination of the dispute regarding the penalty for error in the tax return and to reject all other requests for the tax period of the second quarter (Q2) of 2021 AD. The Appellant based his appeal on the invalidity of the Resolution Circuit's reasoning that the taxpayer is licensed as a real estate developer and that the purchases are subject to other statutory procedures for refund rather than being disclosed under the purchases item. He further argued that although he does not hold a real estate development license, he engages in commercial activity, is registered for Value Added Tax, and declared his sales in previous tax periods; thus, he is entitled to deduct input tax related to his economic activity. He added that he did not deduct any input tax in all his previous returns and is requesting its deduction in the Q2 2021G return, being entitled to such deduction pursuant to the provisions of Paragraph (8) of Article (49) of the Implementing Regulations of the Value Added Tax Law, which allows the deduction of purchases within (5) years from the date of supply. He noted that his invoices meet all required conditions and that his activity consists of developing real estate and residential buildings and selling them to end beneficiaries. He concluded with a request to accept the appeal and annul the decision of the Resolution Circuit.

On Tuesday, 24/10/1446 AH, corresponding to 22/04/2025 AD, at 02:49 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures, pursuant to Paragraph (1) of Article (15) of Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal application, the submitted memoranda, and the case file records and documents, the Committee decided to adjourn the hearing of the lawsuit for further study. The session was adjourned at 04:08 PM.

On Monday, 06/12/1446 AH, corresponding to 02/06/2025 AD, at 12:30 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures, pursuant to Paragraph (1) of Article (15) of Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal application, the submitted memoranda, and the case file records and documents, the Committee requested the General Secretariat to instruct the parties to submit the objection letter filed by the Appellant (...) to the Zakat, Tax and Customs Authority within one week from the date hereof. The session was adjourned at 01:25 PM.

On Monday, 27/12/1446 AH, corresponding to 23/06/2025 AD, at 04:05 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures, pursuant to Paragraph (1) of Article (15) of Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal application, the submitted memoranda, and the case file records and documents, and whereas the lawsuit is ripe for adjudication in its current state, the Committee decided to close the pleadings and reserve the case for adjudication.

Grounds

Whereas by reviewing the lawsuit documents and the submitted appeal brief, 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 for being submitted by a person with standing and within the prescribed statutory period 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 to establish the conclusion of the dispute regarding the penalty for error in the return and to reject all other requests for the tax period of the second quarter of 2021. And whereas the Appellant objects to the Resolution Circuit's decision due to the incorrectness of the Resolution Circuit's reasoning for its decision—that the Taxpayer is licensed as a real estate developer and that the purchases have other statutory procedures for their recovery rather than being disclosed in the purchases item. Furthermore, he does not possess a real estate development license, yet he practices commercial activity, is registered for Value Added Tax, and declared his sales in previous periods; thus, he is entitled to deduct the input tax related to his economic activity.

He added that he did not deduct any input tax in all his previous returns and that he is claiming its deduction in the return of the second quarter of 2021, and that he is eligible for the deduction based on the provisions of Paragraph (8) of Article (49) of the Implementing Regulations of the Value Added Tax Law, which allowed the deduction of purchases within (5) years from the date of supply. He pointed out that his invoices fulfill the conditions and that his activity consists of developing real estate and residential buildings and selling them to end beneficiaries. And upon the Appeal Circuit's review of lawsuit No. (V-87657-2021), filed by the Plaintiff (...) against the (Zakat, Tax and Customs Authority), and whereas it is established that it has priority in registration over the lawsuit for which the appealed decision was issued, and it is established that it addressed the same subject matter of the objection in this lawsuit.

And whereas Article Seventy-Five of the Law of Sharia Pleading issued by Royal Decree No. (M/1) dated 22/01/1435 AH stipulates: "A plea of the invalidity of the statement of claim, or lack of spatial jurisdiction, or the referral of the lawsuit to another court due to the existence of the same dispute before it or the existence of another related lawsuit, must be raised before any request, defense in the lawsuit, or a plea of non-admissibility; otherwise, the right to whatever was not raised thereof shall lapse." And whereas the Appeal Circuit's decision No. (VA-2024-167833) was issued in lawsuit No. (V-167833-2023) accepting the appeal procedurally and remanding the lawsuit for reconsideration due to a defect in the Resolution Circuit's decision. Accordingly, the Plaintiff's filing of a new lawsuit on the same subject matter in the presence of an existing prior lawsuit in which no final decision has been issued is procedurally defective. After reviewing the chronological sequence of the lawsuit's registration, it is evident that the Appeal Circuit's decision in lawsuit No. (V-167833-2023) was issued on 05/05/2024, and after the issuance of the decision, the Appellant filed on 05/05/2024 the resolution lawsuit No. (V-235828-2024), which is the lawsuit regarding which the appealed decision was issued. By reviewing the grievance letter before the Appellee, it is established that the Appellant did not submit his grievance against the principal tax, but rather submitted the grievance regarding the penalties, whose requests came to annul the penalty resulting therefrom; a matter with which the Appeal Circuit concludes to annul the Resolution Circuit's decision regarding the final reassessment of the purchases item for the tax period related to the second quarter of 2021, and ruling the non-acceptance of the lawsuit procedurally.

As for the penalties item, 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 support its ruling, as the issuing Circuit undertook the scrutiny of the core of the dispute therein and concluded regarding it to the result it reached in its operative part. And whereas the Appeal Circuit did not notice regarding it anything necessitating correction or commentary in light of the submitted defenses raised before this Circuit, which leads it to conclude that they do not affect the result of the decision. Based on the foregoing, the Circuit concluded to rule the rejection of the appeal and upholding the Resolution Circuit's decision in what it concluded, carried upon its grounds.

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: On the merits: Annulment of the Decision No. (VTR-2024-235828) issued by the Third Circuit for the Resolution of Value Added Tax Violations and Disputes in Riyadh City regarding the final Reassessment of the purchases item for the tax period pertaining to the second quarter (Q2) of 2021 AD; ruling Non-acceptance of the lawsuit procedurally; and upholding the decision of the Resolution Circuit regarding the Penalties item.

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

Decision No VA-2025-68

Case No. V-2024-243355

Keywords:

Value Added Tax – Domestic purchases subject to Tax – Appellant's lack of standing in tax returns – Acceptance of the Taxpayer's appeal – Annulment of the decision of the Resolution Circuit.

Summary:

The mutual appeal between the two parties relating to Value Added Tax , where the objection of one of them was directed at the decision of the Resolution Circuit to reject the case for lack of jurisdiction. The Appeal Circuit addressed the merits of the case directly, as it was established to the Circuit that the tax assessment procedure issued against the Appellant in his personal capacity for periods subsequent to the date of converting his sole proprietorship into a company with an independent legal personality was unlawful. It also became clear to the Circuit that the Appellant lacked standing in the tax returns for the year 2019 AD because the new corporate owner assumed responsibility for them. Consequently, this entails accepting both appeals procedurally, and on the merits, annulment of the decision of the Resolution Circuit, and annulment of the decision of the Appellee regarding the disputed tax assessments and Penalties.

Document

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

Facts:

Whereas the facts of this case have been set forth in the decision subject to the appeal, the Appeal Circuit refers to it to avoid repetition. Whereas the Resolution Circuit's decision No. (VSR-2022-2516) dated 05/01/2023 AD ruled as follows:

First: Acceptance of the lawsuit procedurally.

Second: Acceptance of the lawsuit on the merits, and the annulment of the Defendant's decision regarding the final assessment for the tax periods subject of the lawsuit and the resulting Penalties.

Subsequently, the Appeal Circuit's decision No. (VA-2024-175647) dated 21/03/2024 AD ruled as follows:

First: Acceptance of the appeal submitted by the Zakat, Tax and Customs Authority procedurally, for being submitted within the statutorily specified period.

Second: On the merits: Annulment of the decision of the Second Circuit for the Resolution of Value Added Tax Violations and Disputes in Riyadh City No. (VSR-2022-2516), and remanding the case to it for consideration in accordance with what is set forth in the grounds.

Thereafter, the Resolution Circuit's decision No. (VSR-2024-233750) dated 05/09/2024 AD ruled as follows:

To dismiss the case for lack of jurisdiction.

Based on the foregoing, and in order to limit the prolongation of litigation and achieve swift justice, the Appeal Circuit decided to consider the submitted objection on the merits de novo.

Whereas this decision did not meet the acceptance of both parties, the Appellant (...) submitted an appeal brief to the Appeal Circuit containing his objection to the Resolution Circuit's decision which ruled to reject the case for lack of jurisdiction regarding his objection to the final assessment for the fourth quarter of 2018 AD, and the first, second, third, and fourth quarters of 2019 AD, and the resulting penalty for incorrect filing and late payment penalty. This was because the Appellee's claim regarding the disputed tax periods—that it did not perform a reassessment on the grounds that the Appellant voluntarily filed and amended his return without the Authority's intervention—is incorrect. The correct fact is that the Appellant, being the former owner of the establishment, did not file any tax returns, and the person who filed the returns was an attorney-in-fact for (...) Company. He concluded with a request to accept the appeal and uphold the previous decision issued by the Second Circuit for the Resolution of Value Added Tax Violations and Disputes in Riyadh City No. (VSR-2022-2516).

Similarly, the Appellant (Zakat, Tax and Customs Authority) submitted an appeal brief to the Appeal Circuit containing its objection to the Resolution Circuit's decision. The grounds for its objection were that its exclusion of this item was due to the Appellee's failure to submit supporting documents proving his right to deduct an amount of SAR (189,020), and because the Appellee was not entitled to deduct input tax due to the absence of the statutory documents provided for in Article (48) of the Unified Agreement for Value Added Tax of the Cooperation Council for the Arab States of the Gulf, and Article (49) of the Implementing Regulations of the Value Added Tax Law. The Authority concluded with a request to accept the appeal and annul the decision of the Resolution Circuit.

On Tuesday, 24/10/1446 AH, corresponding to 22/04/2025 AD, at 12:30 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. After reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and whereas the case is ripe for adjudication in its current state, the Circuit decided to close the pleadings and reserve the case for adjudication.

Grounds

Whereas upon reviewing the case documents and the submitted appeal briefs, it became evident to the Circuit that both appeal requests satisfied the procedural conditions to be heard, in accordance with the conditions specified in the relevant laws, regulations, and decisions; therefore, both appeal requests are procedurally acceptable as they were submitted by persons with standing and within the prescribed statutory period.

On the merits, upon the Appeal Circuit's review of the case papers and examination of the documents contained therein, and after reviewing the memoranda and responses submitted by both parties, it became clear to the Appeal Circuit that the Appellant (...), in his capacity as the Plaintiff in the case file, objects to the decision of the Zakat, Tax and Customs Authority regarding the final assessment for the fourth quarter of the year 2018 AD, and the first, second, third, and fourth quarters of the year 2019 AD, and the resulting penalty for incorrect filing and late payment penalty.

With respect to the item of Domestic purchases subject to Tax at the standard rate (final assessment for the fourth quarter of 2018 AD), and by referring to the case files, it is clear that the Plaintiff (...) submitted a letter from the Ministry of Commerce proving the conversion of (...) Establishment, under Commercial Registration No. (...), into a company under the name of (...) Company on 21/06/1438 AH, corresponding to 20/03/2017 AD. This proves the invalidity of the Authority's action in issuing a reassessment against the Taxpayer in his personal capacity for tax periods subsequent to the date of converting the establishment into a company, and after it acquired an independent legal personality separate from its owners, as the assessment was made after the transfer of ownership. Consequently, the Circuit concludes to the annulment of the Authority's decision regarding this item.

With respect to the objection to the tax returns for the year 2019 AD, whereas the Plaintiff (...) objects to the Authority’s decision regarding this item on the grounds that the sole proprietorship he owned—upon which the tax assessment was issued—was converted into a limited liability company in 2017 AD, and he pleaded that there is an explicit letter from (...) Company in which the company acknowledged that the tax assessment belongs to it and undertook to bear all tax liabilities. Upon the Appeal Circuit's review of the case papers and examination of the documents contained therein, it is clear that the Plaintiff (...) asserts that he did not file any tax returns and that the person who filed the returns was the attorney-in-fact of (...) Company / (...) under a power of attorney issued by the company after the establishment was converted into a limited liability company with an independent financial liability. By referring to the case files, it is clear from the (Ministry of Commerce's certificate) that the ownership and liabilities of the establishment were transferred to another person and converted into a company on 21/06/1438 AH, corresponding to 20/03/2017 AD. He submitted a copy of the company's commercial registration and attached a letter from (...) Company (the new owner) stating that the TIN is still registered in the name of the former owner of the establishment (...) as a sole proprietorship despite its conversion into a limited liability company. When the company discovered that the registration of the TIN continued under the former owner's name, it approached the Authority to correct this status; however, the registration of the number under the former owner's name has not been suspended to date. The company confirms that it bears all liabilities charged to the TIN (...) of whatever nature, whether Zakat, taxes, or Penalties, and undertakes to pay them in full without any liability on him. Since it is established through the submitted documents that the Plaintiff (...) lacked standing in the tax returns submitted for the year 2019 AD, the Appeal Circuit concludes to the annulment of the Authority's decision regarding this item.

With respect to the objection to the items of the penalty for incorrect filing and the late payment penalty, and the Plaintiff's (...) request to annul those Penalties resulting from the final assessment notice for the tax period subject of the lawsuit, and whereas the aforementioned items have resulted in the annulment of the challenged decision of the Authority, and since the Penalties resulted therefrom, whatever is accessory to a principal follows its ruling. Therefore, the Appeal Circuit concludes to the acceptance of the Plaintiff's lawsuit and the annulment of the Authority's decision regarding the disputed Penalties.

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

Decision

First: Acceptance of both appeal requests procedurally.

Second: On the merits:

Annulment of the Resolution Circuit's decision No. (VSR-2024-233750).

Annulment of the Authority's decision regarding taxable purchases at the rate of 5% for the fourth quarter of 2018 AD.

Annulment of the Authority's decision regarding the penalty for incorrect filing for the fourth quarter of 2018 AD.

Annulment of the Authority's decision regarding the late payment penalty for the fourth quarter of 2018 AD.

Annulment of the tax liabilities and Penalties regarding the year 2019 AD.

Value Added Tax – Reassessment of the Value Added Tax Return

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. V-2024-238925

Keywords:

Value Added Tax – Reassessment of Tax Return – Partial Acceptance of the Authority's Appeal – Annulment of the Resolution Circuit's Decision – Rejection of the Appeal Regarding Penalties.

Summary:

In the lawsuit filed by the Appellant against the Appellee concerning Value Added Tax , appealing the decision of the Resolution Circuit which rejected its financial claims, the course of litigation showed that the Appellant submitted a request to abandon the litigation for certain tax periods. Conversely, the Appellant affirmed the validity of the procedures for notifying the Appellee of payment for other tax periods. Since the Appeal Circuit relied on the fact that the preliminary and final assessments were legally served within the prescribed statutory periods, alongside the validity of the outcome regarding the Penalties item, it is decided to: Accept the appeal procedurally. On the merits, accept the abandonment of litigation for specific tax periods. Obligate the Appellee to pay the principal tax for other tax periods. Reject the appeal with respect to Penalties.

Document

- The Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH.
- The State Revenues Law, issued by Royal Decree No. (M/68) dated 18/11/1431 AH.

Facts:

Since the facts of this case were detailed in the decision subject to appeal, the Appeal Circuit refers to it to avoid redundancy. The Resolution Circuit's operative decision ruled as follows:

First: Procedurally:

A. Acceptance of the lawsuit procedurally regarding the principal tax amount.
B. Dismissing the claim regarding the penalty amounts.

Second: On the Merits:

Rejection of the Plaintiff's lawsuit.

As this decision did not meet the acceptance of the Appellant, it submitted an appeal brief to the Appeal Circuit expressing its objection to the Resolution Circuit's decision. The Appellant contested the rejection of the lawsuit regarding the claim for the principal tax amount resulting from the reassessment for the second, third, and fourth quarters of 2018; the third quarter of 2019; and the second and third quarters of 2021, as well as the Rejection of the claim for the Penalties. The Appellant asserted the soundness of its position and procedures in serving payment notifications to the Appellee for the outstanding VAT and Penalties in accordance with the State Revenues Law. Regarding the principal tax, the Appellant argued that the lawsuits referenced in the appealed decision were registered on a date subsequent to the lawsuit initiated by the Authority (the Appellant). Furthermore, they post-date the Authority's preliminary and final assessment notifications. The Appellant added that the Appellee's initiation of litigation proceedings after the Authority filed its claim under the State Revenues Law does not imply that the Authority's claim was based on an unestablished debt. The Authority initiated its procedures in accordance with statutory requirements, establishing its lawsuit on a valid basis through preliminary and final assessment notices. With respect to the contested Penalties, the case documents and submissions registered by the Authority demonstrate that its claim has stabilized, determining the total claim amount at SAR 985,148.83. This amount represents the due tax for the tax periods subject to the lawsuit, in addition to late payment Penalties and Penalties for incorrect return submission. The Authority maintained this claim throughout all stages of the lawsuit, concluding with a request to accept the appeal and annual the Resolution Circuit's decision.

On Tuesday, 26/08/1446 AH, corresponding to 25/02/2025 AD, at 02:57 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its hearing in the presence of its members listed in the minutes, via video conferencing in accordance with the remote litigation procedures. This was held pursuant to Paragraph (1) of Article 15 of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH. Upon calling upon the parties to the lawsuit: Attending was (...), National ID No. (...), in his capacity as the representative of the Appellant, acting under Delegation No. (...) issued by the Deputy Governor for Legal Affairs and Compliance at the Zakat, Tax and Customs Authority (ZATCA). Attending was (...), National ID No. (...), on behalf of the Appellee. Having reviewed the appeal request, the submitted briefs, and the papers and documents contained in the case file, the representative of the Appellant was questioned about the appeal. He responded by reiterating the content of the appeal brief and maintaining its requests. Upon presenting the appeal to the Appellee, he replied that he had paid the tax amounts for the years 2018 and 2019, and had filed an appeal regarding the remaining periods. The Circuit asked the Appellant whether the Appellee had paid the claimed amounts for the tax periods of 2018 and 2019. The Appellant requested a grace period to respond, and the Circuit granted nine days from the date of the hearing. The Appellee was asked if he had anything further to add, to which he answered in the negative. Consequently, the Circuit decided to adjourn the review of the lawsuit to a session to be scheduled later. The Appellee was granted a nine-day period, commencing after the receipt of the Authority's response, to submit his final reply, after which the pleadings would be closed.

On Tuesday, 17/10/1446 AH, corresponding to 15/04/2025 AD, at 01:54 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its hearing in the presence of its members listed in the minutes, via video conferencing in accordance with remote litigation procedures, pursuant to Paragraph (1) of Article 15 of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH. After reviewing the appeal request, the submitted briefs, and the papers and documents in the case file, and whereas the lawsuit is ripe for adjudication in its current state, the Circuit decided to close the pleadings and reserve the case for decision.

Grounds

Whereas by reviewing the lawsuit documents and the submitted appeal brief, 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 for being submitted by a person with standing and within the prescribed statutory period for its submission.

On the merits, upon the Appeal Circuit's review of the case file and examination of the documents and evidence contained therein, and after reviewing the memoranda and responses submitted by both parties, it has become clear 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, the third quarter of 2019, and the second and third quarters of 2021, and dismissed the claim regarding the penalty amounts.

Regarding the tax periods of the second, third, and fourth quarters of 2018 and the third quarter of 2019, and whereas it is established according to the data and documents submitted in the case that the Appellant submitted a request to abandon the lawsuit; and based on Article (92) of the Law of Sharia Procedures, which provides: "A plaintiff may abandon the litigation by a notification addressed to his opponent, or by a declaration made by him to the competent clerk at the court, or by an explicit statement in a memorandum signed by him or by his attorney-in-fact, with his opponent being notified thereof, or by making the request orally during the hearing and recording it in the minutes. Abandonment after the defendant has submitted his defenses shall not be valid except with his acceptance."

And based on Article (6) of the Implementing Regulations of the Procedures of Objection to Judgments, which provides: "1- Anyone who has the right to object—before or after filing the objection request—may waive his right to object by a memorandum submitted to the court that issued the judgment or the court 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 litigation in the objection."

Accordingly, the Circuit concluded to decide the acceptance of the abandonment of litigation in the objection regarding the tax periods for the second, third, and fourth quarters of 2018, and the third quarter of 2019.

Regarding the tax periods of the second and third quarters of 2021, and whereas the Appellant objects to the decision of the Resolution Circuit in order to affirm the validity of its position and procedures in notifying the Appellee of the demand to pay the Value Added Tax liabilities and Penalties in accordance with the State Revenues Law; and regarding the principal tax, as the lawsuits referred to in the decision subject to appeal were registered on a date subsequent to the lawsuit filed by the Authority subject of the appeal, and indeed subsequent to the Authority’s notifications of the preliminary and final demands. Whereas the mere fact that the Appellee initiated litigation procedures after the Authority had filed the recovery lawsuit in accordance with the provisions of the State Revenues Law does not mean that the Authority’s demand was for an unestablished debt, as the Authority initiated its procedures in accordance with the statutory requirements and established its lawsuit on a correct basis pursuant to preliminary and final demand notifications. Upon the Appeal Circuit's review of the documents submitted by the Appellant (the Authority), which include the Authority's notifications to the Appellee (the Taxpayer) for payment for the (second and third) quarters of 2021; and whereas, with respect to the (second) quarter, it is established that the Authority notified the Appellee with a document titled "First Demand for Payment of Value Added Tax Liabilities" dated (18/01/2023 AD), and thereafter the Authority notified the Taxpayer of the final demand on (05/03/2023 AD), in accordance with the document submitted by the Authority titled "Final Demand for Payment of Value Added Tax Liabilities". Accordingly, the Authority complied with what is stipulated by the Law, as it notified the Taxpayer of the preliminary demand with the obligation to pay within (30) business days, and then, after the lapse of more than (30) business days, the Authority notified him of the final demand to pay the amounts with the obligation to settle the liabilities within (15) business days, which establishes the correctness and validity of the Authority's procedure subject of the lawsuit for the (second) quarter of 2021.

With respect to the (third) quarter of 2021, whereas the Authority notified the Appellee with a document titled "First Demand for Payment of Value Added Tax Liabilities" dated (15/02/2023 AD), and thereafter the Authority notified the Taxpayer of the final demand on (03/04/2023 AD) in accordance with the document submitted by the Authority titled "Final Demand for Payment of Value Added Tax Liabilities". Accordingly, the Authority complied with what is stipulated by the Law, as it notified the Taxpayer of the preliminary demand with the obligation to pay within (30) business days, and then, after the lapse of more than (30) business days, the Authority notified him of the final demand to pay the amounts with the obligation to settle the liabilities within (15) business days, which establishes the correctness and validity of the Authority's procedure subject of the lawsuit for the (third) quarter of 2021.

Upon reviewing the Authority’s notifications, it has been established that the Authority notified the Taxpayer in a statutory and correct manner, based on Article (13) of the State Revenues Law, which provides:

"Any person who delays in paying a debt due to the State at the specified date shall be notified in writing by the entity of the obligation to pay it within (30) thirty business days from the date of the notification."

And Article (14) of the State Revenues Law, which provides: "If the debtor does not pay the debt due from him within the period referred to in Article Thirteen, he shall be given a final warning to pay within (15) fifteen business days. If this period lapses and he does not pay the debt due from him, the entity must take the necessary procedures before the competent court to arrest his assets within the limits of the debt due from him." Accordingly, the Appeal Circuit concludes to accept the appeal regarding the tax periods of the second and third quarters of 2021.

Regarding the Penalties subject of the claim, and whereas the Appellant objects to the decision of the Resolution Circuit on the grounds that it is established from the case papers and the memoranda registered by the Authority in the case file that the Authority's demand has settled on determining the total claim in the amount of SAR (985,148.83), which represents the value of the tax due for the tax periods subject of the lawsuit, as well as late payment Penalties and the penalty for error in submitting the tax return, and this is the demand that the Authority maintained throughout all stages of the lawsuit.

Whereas it is established that the decision subject to appeal regarding the dispute under consideration was rendered in conformity with the provisions of the Law and the grounds upon which it was based; and whereas the Appeal Circuit did not observe anything regarding it that requires rectification or comment in light of the defenses raised before this Circuit, which leads to deciding that they do not affect the outcome of the decision. Based on the foregoing, the Circuit concluded to reject the appeal and uphold the decision of the Resolution Circuit in its findings.

For these reasons and after deliberation, 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:

Acceptance of the abandonment of litigation in the objection regarding the periods of the second, third, and fourth quarters of 2018, and the third quarter of 2019.

Acceptance of the Authority's appeal on the merits, annulment of the appealed decision of the Resolution Circuit, and ruling to compel the Appellee / (...), National ID No. (...), to pay to the Appellant / the Zakat, Tax and Customs Authority, the tax amount for the periods of the second and third quarters of 2021.

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 of Tax Return – Acceptance of the Authority's Appeal – Rejection of the Taxpayer's Appeal – Annulment of the Resolution Circuit's Decision.

Summary:

The objection of the two parties relating to Value Added Tax, whereas their objection centered on the Resolution Circuit's decision which ruled the lack of subject-matter jurisdiction of the Resolution Circuits to consider the lawsuit. The course of litigation clarified the Establishment's adherence to its right to deduct inputs and to be assessed on an estimated basis without obligating it to maintain regular financial statements, against the Authority's argument of the non-exhaustion of its judicial mandate to support proceeding with considering the matter. And whereas the Appeal Circuit relied on its statutory authority to annul the decision of lack of jurisdiction and to address the adjudication of the merits, along with the proven failure of the Taxpayer to submit sufficient data and documents to support the validity of its defenses; the implication of this is: acceptance of both appeal requests procedurally, and on the merits by annulling the Resolution Circuit's decision, and ruling anew to reject the Establishment's lawsuit and uphold the Authority's decision regarding the assessment for the third quarter of 2020 and its penalties.

Document

- Paragraphs (2) and (3) of Article (37) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH.

Facts:

Since the facts of this lawsuit were detailed in the decision subject to appeal, the Appeal Circuit hereby refers to it to avoid repetition. The Resolution Circuit's Decision No. (VR-2023-152724) dated 03/05/2023 AD ruled as follows:

First: Acceptance of the lawsuit procedurally.

Second: On the merits: Rejection of the Plaintiff's lawsuit.

Subsequently, the Appeal Circuit's Decision No. (VA-2024-198361) dated 19/05/2024 AD ruled as follows:

First: Acceptance of the appeal submitted by / (...) – National ID No. (...), procedurally, for being submitted within the statutorily prescribed period.

Second: On the merits: Annulment of the Decision No. (VR-2023-152724) issued by the First Circuit for the Resolution of Value Added Tax Violations and Disputes in Riyadh, and to remand the case to it for consideration in accordance with what is detailed in the grounds.

Thereafter, the Resolution Circuit issued Decision No. (VR-2024-236614) dated 22/08/2024 AD, ruling as follows:

The Resolution Circuits lack subject-matter jurisdiction to hear the lawsuit.

As this decision did not meet with the acceptance of either party, the Appellant (Branch of ... Sole Proprietorship) submitted an appeal brief to the Appeal Circuit, which included its objection to the Resolution Circuit's decision ruling a Lack of Jurisdictional Competence. The appeal concerned the Appellant's objection to the reassessment of the third quarter of 2020 AD and its associated Penalties, on the grounds that the Authority adjusted the return and increased the revenues for that period without any basis or justification, and failed to approve the purchases recorded in the return submitted by the Taxpayer. The Appellant argued that the Authority requested a trial balance, customer accounts, and opening and closing balances, which cannot be adopted because the Taxpayer is assessed on a presumptive basis and does not maintain regular books of accounts. Therefore, the Taxpayer cannot be compelled to comply with requirements that conflict with Saudi Accounting Standards and International Financial Reporting Standards (IFRS) disclosure requirements. Furthermore, the Appellant submitted a sales statement as well as purchase invoices, concluding with a request to accept the appeal.

Similarly, the Appellant (the Zakat, Tax and Customs Authority) submitted an appeal brief to the Appeal Circuit containing its objection to the Resolution Circuit's decision. The Authority argued that the principle of exhaustion of jurisdiction means the cessation of the judicial member's jurisdiction after exhausting their efforts on the substantive issue adjudicated by a final decision. This implies that if the judicial member has not exhausted their efforts on the presented issue, the lawsuit remains within their jurisdiction. The Authority concluded with a request to accept its appeal.

On Monday, 04/08/1446 AH, corresponding to 03/02/2025 AD, at 12:44 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with remote litigation procedures, pursuant to the provisions of Paragraph (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal request, the submitted memoranda, and the case file's papers and documents, and after discussion and deliberation, the Circuit found that the lawsuit required further study. It decided to postpone the hearing to a date to be scheduled later, and requested the Secretariat to direct the Zakat, Tax and Customs Authority to submit the commercial registration of the appellee Sole Proprietorship and match its name with the commercial registration, prior to the end of 12/02/2025 AD. The hearing was concluded at exactly 03:11 PM.

On Thursday, 19/10/1446 AH, corresponding to 17/04/2025 AD, at 02:21 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with remote litigation procedures, pursuant to the provisions of Paragraph (1) of Article (15) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal request, the submitted memoranda, and the case file's papers and documents, and since the lawsuit is ripe for adjudication in its current state, the Circuit decided to close the pleadings and reserve the case for adjudication.

Grounds

Procedurally, upon the Appeal Circuit's review of the case file and examination of its documents, and after reviewing the memoranda and responses submitted by both parties, it became clear to the Appeal Circuit that the decision issued by the Resolution Circuit ruled that the Resolution Circuits lack subject-matter jurisdiction to hear the lawsuit regarding the objection of the Appellant (Branch of ...) against the Appellee's decision to reassess the third quarter of 2020 AD and its associated Penalties.

Whereas this lawsuit was heard by the First Circuit for the Resolution of Value Added Tax Violations and Disputes in Riyadh, which issued Decision No. (VR-2023-152724) on the merits as referred to above, and whereas the Appeal Circuit's Decision No. (VA-2024-198361) annulled the Resolution Circuit's decision and remanded the case to it according to the stated grounds; and whereas the First Circuit for the Resolution of Value Added Tax Violations and Disputes in Riyadh subsequently decided that it lacked subject-matter jurisdiction to hear the lawsuit after it was remanded from the Appeal Circuit.

Based on Paragraph (2) of Article (37) of the Rules of Operation for Zakat, Tax, and Customs Committees, which stipulates:

"If the decision of the Resolution Circuit is consistent in its outcome with its merits, the Appeal Circuit shall affirm it, adding any grounds it deems appropriate. If it annuls it, it shall adjudicate the annulled part after hearing the pleadings."

And based on Paragraph (3) of the same Article, which stipulates:

"If the Appeal Circuit decides to annul the Resolution Circuit's decision ruling a lack of jurisdiction, or accepting a preliminary motion that barred proceeding with the case, or ruling the inadmissibility of hearing the case due to prior adjudication, or dismissing the case for lapse of time, or rejecting it procedurally, or rejecting the case for lack of elaboration, it shall return the case to the Resolution Circuit that issued the decision to consider its merits, unless the circumstances of the case are ripe for adjudication, or the circumstances of the case require an urgent decision, or its subject matter has been settled by established decisions or principles of the Appeal Circuits; in which case, it may be adjudicated without being remanded."

And whereas the adjudication on the subject matter of the dispute is linked to the annulment of the Resolution Circuit's decision ruling a Lack of Jurisdictional Competence, the Circuit therefore decides to accept both appeals procedurally, annul Resolution Circuit Decision No. (VR-2024-236614), and proceed to hear this lawsuit on the merits.

On the merits, whereas the Appellant (Branch of ... Sole Proprietorship) objects to the Authority's adjustment of the tax return, the increase of revenues for that period without basis or justification, and the non-allowance of the purchases recorded in the return submitted by the Taxpayer; and whereas the Authority requested a trial balance, customer accounts, and opening and closing balances—which the Appellant claims cannot be adopted because the Taxpayer is assessed on a presumptive basis and does not maintain regular books of accounts, meaning it cannot be compelled to comply with requirements that conflict with Saudi Accounting Standards and IFRS disclosure requirements—and whereas the Appellant submitted a sales statement and purchase invoices.

Upon the Appeal Circuit's review of the statement of claim, and whereas the appeal of the Branch of ... Sole Proprietorship centers on the Authority's procedure of disallowing purchases, pointing out the availability of the purchase statement for the period and its entitlement to deduction; upon examining the case file, it was established that the data submitted by the Appellant was insufficient. The value of the disallowed amounts in the disputed item was not clear, nor did the Appellant submit a purchase statement for the disputed tax period. Consequently, since the Appellant has not submitted documents supporting the validity of its defenses, the Appeal Circuit concludes that the lawsuit of the Branch of ... Sole Proprietorship must be rejected.

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

Decision

First**:** To accept both appeals procedurally.

Second**:** To annul Decision No. (VR-2024-236614) issued by the First Circuit for the Resolution of Value Added Tax Violations and Disputes in Riyadh.

Third: To reject the lawsuit of (...) Sole Proprietorship regarding the assessment of the third quarter of 2020 AD and its associated Penalties, and to affirm 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-2025-106

Case No. W-2024-245818

Keywords:

Excise Tax – Reassessment of Tax Return – Rejection of Appeal – Affirmation of the Decision of the Resolution Circuit.

Summary:

A lawsuit filed by the Appellant against the Appellee concerning Excise Tax, wherein the Appellant's objection was centered on the decision of Resolution Circuit annulling its decision regarding the imposition of tax differences arising from Reassessment. The course of litigation clarified the Appellant's insistence on the validity of its applied procedures, noting the impossibility of holding all shipments at ports to verify retail selling prices to avoid cargo accumulation and increased demurrage fees on taxpayers. Whereas the Appeal Circuit relied on the compliance of the Resolution Circuit's decision with the provisions of the Law, and its foundation on sound and sufficient grounds to support its ruling after examining the core of the dispute. Accordingly, the appeal was accepted procedurally and rejected on the merits, Affirmation of the Resolution Circuit's Decision on its own grounds.

Document

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

Facts:

Whereas the facts of this case have been set forth in the decision under appeal, the Appeal Circuit hereby refers to it to avoid repetition. The decision of the Resolution Circuit rendered the following judgment:

First: Acceptance of the lawsuit procedurally.

Secon**d:** On the merits:

1. Annulement of the Defendant's (Authority) decision regarding the imposition of tax differences amounting to SAR (115,477) resulting from the Reassessment for the tax period subject to the lawsuit.

2. Establishing the settlement of the dispute regarding the late payment penalty.

Whereas this decision was not acceptable to the Appellant, it filed an appeal brief with the Appeal Circuit containing its objection to the decision of the Resolution Circuit annulling its decision regarding the Reassessment of the tax period related to the second quarter of 2020. This was based on the validity of the Authority's applicable procedures in Reassessment, pointing out that the Resolution Circuit failed to consider the nature of work at ports and international practices, where it is impossible to stop all shipments to verify the accuracy of retail selling prices due to the subsequent accumulation of shipments and the increase in demurrage fees charged to taxpayers. The Appellant concluded with a request to accept the appeal and annul the decision of the Resolution Circuit.

On Monday, 30/10/1446 AH, corresponding to 28/04/2025 AD, at 02:58 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session with the presence of its members whose names are recorded in the minutes, via visual communication in accordance with the remote litigation procedures; based on Item No. (1) of Article (15) of the Rules of Operation for the Zakat, Tax and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal request, the submitted memoranda, and the documents contained in the case file, and whereas the lawsuit is ripe for adjudication in its current state, the Committee decided to close the pleadings and reserve the case for judgment.

Grounds

Whereas, upon reviewing the case documents and the appeal brief submitted, it was established to the Committee that the formal requirements for hearing the appeal have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and decisions. Therefore, the appeal request is acceptable procedurally for being submitted by a party with standing and within the prescribed statutory period.

On the merits, upon the Appeal Circuit's examination of the case file and the documents contained therein, and after reviewing the memoranda and responses submitted by both parties, it was revealed to the Appeal Circuit that the decision issued by the Resolution Circuit rendered the Annulement of its decision regarding the Reassessment of the tax period related to the second quarter of 2020. Whereas the Appellant objects to the decision of the Resolution Circuit based on the validity of the Authority's applicable procedures in Reassessment, noting that the Resolution Circuit failed to consider the nature of work at ports and international practices where stopping all shipments to verify the accuracy of retail selling prices is unfeasible—given the resulting backlog of shipments and increased demurrage fees charged to taxpayers.

Whereas it is established that the decision subject to appeal regarding the dispute under consideration was aligned with the provisions of the Law and built upon sound, sufficient grounds to uphold its judgment, as the Circuit that issued the decision undertook a thorough examination of the core dispute and arrived at the conclusion set forth in its operative part. Whereas the Appeal Circuit did not observe anything in it requiring rectification or comment in light of the defenses raised before this Circuit, which leads to concluding that they do not affect the outcome of the decision. Based on the foregoing, the Committee concluded to reject the appeal and affirm the decision of the Resolution Circuit as to its outcome based on its own grounds.

For these reasons and after deliberation, 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.

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 of Tax Return – Rejection of Appeal – Affirmation of the Resolution Circuit's Decision.

Summary:

This is a lawsuit filed by the Appellants against the Appellee regarding Value Added Tax . The Appellants' objection was focused on the decision of the Resolution Circuit, which ruled to reject their lawsuit concerning the reassessment of the tax period for the third quarter of 2018 AD and the Penalties associated therewith. The course of litigation clarified the Appellants' insistence on the expiration of financial obligations upon the death of their legator, who was the Taxpayer, and the non-liability of the female and minor heirs. They argued that there was an overlap of financial liabilities with the new owner, and that the nature of the contract is strictly limited to the provision of labor rather than the provision of services. Whereas the Appeal Circuit relied on the conformity of the Resolution Circuit's decision with the provisions of the Law, and on its being based on valid and sufficient grounds to support its judgment after scrutinizing the core of the dispute, the consequence of the foregoing is: the acceptance of the appeal procedurally, and its rejection on the merits, thereby Affirmation of the Resolution Circuit's Decision based on its grounds.

Document

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

Facts:

Whereas this decision did not meet with the acceptance of the Appellants, the attorney-in-fact submitted an appeal brief to the Appeal Circuit, which included their objection to the Resolution Circuit's decision ruling to reject their lawsuit. Their objection concerns the reassessment of the tax period relating to the third quarter of 2018 AD, and the resulting Penalties for late payment and error in the tax return. This is on the grounds that (...)—bearing Taxpayer Identification Number (...)—is the one to whom the capacity of "Taxpayer" applies before the Authority, as he was the sole proprietor of the establishment, as legally established, and upon his death, the financial obligations expire. He pointed out that none of the heirs can bear the liability, given that they are women and minor children. He also argued that there was an overlap of financial liabilities resulting from the field audit, as it encompassed a period subsequent to the death of (...) which belongs to the new owner. He further asserted that the revenues of (...) Establishment, belonging to the deceased (...), include salaries and fees resulting from its contract with (...) Company, where the company stated its commitment to pay the salaries and fees to the establishment's account, which makes it clear that the contract is for the provision of labor, not services. He concluded with a request to accept the appeal and annul the decision of the Resolution Circuit.

On Sunday, 13/11/1446 AH, corresponding to 11/05/2025 AD, at 04:11 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and whereas the case is ripe for adjudication in its current state, the Circuit decided to close the pleadings and reserve the case for adjudication.

Grounds

Whereas, upon reviewing the lawsuit documents and the submitted appeal brief, it became evident to the Circuit that the conditions for considering the appeal procedurally have been met in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; accordingly, the appeal request is accepted procedurally as it was submitted by a person with standing and within the prescribed statutory period.

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 to reject the Appellants' lawsuit regarding their objection to the reassessment of the tax period related to the third quarter of 2018 and the penalties resulting therefrom. And whereas the Appellants object to the Resolution Circuit's decision because (...), holder of the Tax Identification Number (TIN) (...), is the one to whom the capacity of Taxpayer applies before the Authority, as he is the sole owner of the establishment as legally established. With his death, the financial obligations terminate, and there is no one among the heirs who bears responsibility as they are women and minor children. This is in addition to the overlap of financial liabilities resulting from the audit, as it included a period subsequent to the death of (...) pertaining to the new owner. Furthermore, the revenues of (...) Establishment belonging to the deceased / (...) include salaries and fees resulting from its contract with (...) Company, as the company reported its commitment to pay the salaries and fees to the establishment's account, which makes it clear that the contract is for manpower provision, 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 support its ruling, as the issuing Circuit undertook the scrutiny of the core of the dispute therein and concluded regarding it to the result it reached in its operative part. And whereas the Appeal Circuit did not notice regarding it anything necessitating correction or commentary in light of the submitted defenses raised before this Circuit, which leads it to conclude that they do not affect the result of the decision. Based on the foregoing, the Circuit concluded to rule the rejection of the appeal and upholding the Resolution Circuit's decision in what it concluded, carried upon its grounds.

For these reasons and after deliberation, 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-2025-246751

Case No. E-2024-246751

Keywords:

Value Added Tax – Reassessment of Tax Return – Reclassification of the Commodity's Tax Category – Rejection of the Appeal – Affirmation of the Resolution Circuit's Decision.

Summary:

The Appellant's lawsuit against the Appellee relates to Excise Tax, wherein its objection focused on the Resolution Circuit's decision ruling to reject its lawsuit regarding the reassessment of the tax period and the late payment penalty. The course of litigation clarified the Appellant's adherence to classifying its product as a carbonated drink based on the registration and certificates of the Food and Drug Authority, objecting to the sufficiency of the email relied upon in the reclassification, and demanding the non-retroactivity of decisions. Whereas the Appeal Circuit relied on the conformity of the Resolution Circuit's decision with the provisions of the Law, and its reliance on reasonable and sufficient grounds to support its ruling after scrutinizing the core of the dispute, the effect of this is: acceptance of the appeal procedurally, and rejecting it on the merits, and Affirmation of the Resolution Circuit's Decision upheld on its grounds.

Document

- Article (25) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH.

Facts:

Whereas the facts of this lawsuit have been set forth in the decision subject to appeal, the Appeal Circuit refers to it to avoid repetition. Whereas the decision of the Resolution Circuit ruled as follows:

First: Acceptance of the lawsuit procedurally.

Second: On the Merits:

1. Rejection of the Plaintiff's lawsuit regarding its objection to the Defendant's decision to reassess the Excise Tax for the period of July–August 2021 AD, subject of the lawsuit.
2. Rejection of the Plaintiff's lawsuit regarding its objection to the Defendant's decision to impose the late payment penalty resulting from the reassessment for the period of July–August 2021 AD, subject of the lawsuit.

Whereas this decision did not meet with the Appellant's acceptance, it submitted to the Appeal Circuit an appeal brief containing its objection to the Resolution Circuit's decision which ruled to reject its lawsuit regarding the reassessment of the tax period for July–August 2021 AD and the resulting late payment penalty, due to the fact that the Circuit relied mainly on an email issued by an employee of the Food and Drug Authority, and this document is insufficient to establish that the item is an energy drink and not a carbonated drink. Furthermore, according to the principle of non-retroactivity of laws, in the event that the reclassification of the item from a carbonated drink to an energy drink is approved, this shall not apply 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 for Zakat, Tax, and Customs Committees. The Appellant explained that the product (...) was registered, after study and scrutiny by the Food and Drug Authority, as a carbonated drink, and that it possesses a certificate of free sale authenticated by the Food and Drug Authority proving that it is a carbonated drink. It also clarified that it incurred losses from the product, where the total sales during the audit period from July 2021 AD to December 2022 AD amounted to SAR 11.65 million, and the company was requested to pay SAR 4.96 million as tax differences, in addition to SAR 8.32 million as Late payment penalty, totaling SAR 13.28 million, which exceeds the total revenue from this product. The Appellant pointed out that the caffeine percentage is not the determining factor, but rather depends on the total ingredients of the drink, such as the drink (...) which contains 15 mg and the coffee drink in metal cans which contains more than 45 mg per 100 ml, none of which are energy drinks. It concluded by requesting the acceptance of the appeal and the reversal of the Resolution Circuit's decision.

On Sunday, dated 23/09/1446 AH, corresponding to 23/03/2025 AD, at 12:30 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures, pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH. After reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, the Circuit decided to adjourn the consideration of the lawsuit for further study.

On Sunday, dated 19/12/1446 AH, corresponding to 15/06/2025 AD, at 01:13 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures, pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and

Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH. After reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and whereas the lawsuit is ripe for adjudication in its current state, the Circuit decides to close the pleadings and reserve the case for adjudication.

Grounds

Whereas, upon reviewing the lawsuit documents and the submitted appeal statement, it has been proven to the Circuit that the statutory conditions for Acceptance of the appeal procedurally have been met in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; therefore, the appeal request is procedurally acceptable as it was submitted by a person with standing and within the prescribed statutory period.

On the Merits, upon the Appeal Circuit's review of the case file and examining the documents and papers contained therein, and after reviewing the memoranda and responses submitted by both parties, 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 late payment penalty. Whereas the Appellant objects to the Resolution Circuit's decision on the grounds that the Circuit relied mainly on an email issued by an employee of the Food and Drug Authority, and that this document is insufficient to establish that the item is an energy drink and not a carbonated drink. Furthermore, according to the principle of non-retroactivity of laws, in the event that the reclassification of the item from a carbonated drink to an energy drink is approved, this shall not apply 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 for Zakat, Tax, and Customs 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 certificate of free sale authenticated by the Food and Drug Authority proving that it is a carbonated drink. It also clarified that it incurred losses from the product, where the total sales during the audit period from July 2021 AD to December 2022 AD amounted to SAR 11.65 million, and the company was requested to pay SAR 4.96 million as tax differences, in addition to SAR 8.32 million as Late payment penalty, totaling SAR 13.28 million, which exceeds the total revenue from this product. The Appellant pointed out that the caffeine percentage is not the determining factor, but rather depends on the total ingredients of the drink, such as the drink (...) which contains 15 mg and the coffee drink in metal cans which contains more than 45 mg per 100 ml, none of which are energy drinks. Whereas it is established that the decision subject to appeal regarding the dispute under consideration came in conformity with the provisions of the Law and with the reasonable grounds upon which it was based and which are sufficient to support its ruling, as the issuing circuit scrutinized the core of the dispute and concluded with the result stated in its operative part; and whereas the Appeal Circuit did not find anything therein requiring correction or comment in light of the defenses raised before this Circuit, which leads the Circuit to conclude that they do not affect the outcome of the decision. Based on the foregoing, the Circuit concludes to reject the appeal and affirm the decision of the Resolution Circuit in its findings, upheld on its grounds.

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

Decision

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

Second: Rejection of the appeal submitted by / (...) 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-2025-246056

Case No. V-2024-246056

Keywords:

Value Added Tax – Reassessment of Tax Return – Acceptance of Appeal – Annulment of the decision of the Resolution Circuit – Annulment of the Authority's decision.

Summary:

he Appellant's lawsuit against the Appellee relating to Value Added Tax, whereas his objection centered on the Resolution Circuit's decision which ruled the non-acceptance of his lawsuit procedurally due to the failure to submit the objection before the Authority. The course of litigation clarified the issuance of the disputed tax assessment for the period of the fourth quarter of 2020 despite the Appellant having previously deregistered his commercial register in 2019. And whereas the Appeal Circuit relied on the proven deregistration of the commercial register on a date prior to the tax period subject of the lawsuit, which means the assessment was issued against a non-taxable person; the implication of this is: acceptance of the appeal procedurally, and on the merits by annulling the Resolution Circuit's decision and the Appellee's decision.

Document

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

Facts:

Whereas the facts of this case have been set forth in the decision under appeal, the Appeal Circuit hereby refers to it to avoid repetition. The decision of the Resolution Circuit No. (VJ-2022-68) dated 20/02/2022 AD rendered the following judgment:

Dismissing the lawsuit in accordance with the provisions of Article (41) of the Law of Sharia Procedures.

Then, the decision of the Appeal Circuit No. (VA-2022-98702) dated 11/01/2023 AD rendered the following judgment:

First: Acceptance of the appeal submitted by / (...), National ID No. (...), procedurally for being submitted within the statutory prescribed period.

Second: Acceptance of the appeal of / (...), National ID No. (...), and annulment of the decision of the First Committee for Settlement of Value Added Tax Violations and Disputes in Jeddah Governorate No. (V-2021-68), and remanding the lawsuit to the Circuit that issued the decision for consideration in accordance with what is detailed in the grounds.

Thereafter, the decision of the Resolution Circuit No. (VJ-2024-66193) dated 27/06/2024 AD rendered the following judgment:

Dismissing the lawsuit in accordance with Paragraph (1) of Article (11) of the Rules of Operation for the Zakat, Tax and Customs Committees.

Accordingly, the Plaintiff filed his lawsuit No. (2024-240387-V), regarding which the decision of the Resolution Circuit No. (VJ-2024-240387) dated 30/10/2024 AD was issued, rendering the following judgment: Non-acceptance of the lawsuit procedurally for failure to submit an objection before the Defendant in accordance with Articles (2) and (3) of the Rules of Operation for the Committees for Settlement of Tax Violations and Disputes.

Whereas this decision was not acceptable to the Appellant, he filed an appeal brief with the Appeal Circuit containing his objection to the decision of the Resolution Circuit ruling the Non-acceptance of the lawsuit procedurally for failure to submit an objection before the Appellee, on the grounds that he had submitted proof of deregistration of the commercial registration, which was deregistered on 25/07/2019 AD. The Appellant concluded with a request to accept the appeal and annul the decision of the Resolution Circuit.

On Wednesday, 19/09/1446 AH, corresponding to 19/03/2025 AD, at 01:25 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session with the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures; based on Item No. (1) of Article (15) of the Rules of Operation for the Zakat, Tax and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal request, the submitted memoranda, and the documents contained in the case file, and whereas the lawsuit is ripe for adjudication in its current state, the Committee decided to close the pleadings and reserve the case for judgment.

Grounds

Whereas, upon reviewing the case documents and the appeal brief submitted, it was established to the Committee that the formal requirements for hearing the appeal have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and decisions. Therefore, the appeal request is procedurally acceptable for being submitted by a party with standing and within the prescribed statutory period.

On the merits, upon the Appeal Circuit's examination of the case file and the documents contained therein, and after reviewing the memoranda and responses submitted by both parties, it was revealed to the Appeal Circuit that the decision issued by the Resolution Circuit rendered the Non-acceptance of the lawsuit procedurally for the lapse of the statutory period. Whereas the Appellant objects to the decision of the Resolution Circuit due to the fact that he submitted proof of the commercial registration's deregistration, which was deregistered on 25/07/2019 AD; and whereas it is established that the assessment subject to the lawsuit was issued on 08/04/2021 AD for the tax period corresponding to the fourth quarter of 2020 AD, which demonstrates that the assessment was issued against a non-taxable person given that the Appellant had deregistered the commercial registration prior to the financial period subject to the lawsuit. Consequently, the Appeal Circuit concludes to annul the decision of the Committee subject to appeal and annul the Authority's decision.

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: On the merits: annulement of the decision of the First Committee for Settlement of Value Added Tax Violations and Disputes in Jeddah Governorate No. (VJ-2024-240387) subject to appeal, and annulement 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-2025-67

Case No. V-2024-243401

Keywords:

Value Added Tax – Reassessment of Tax Return – Acceptance of the Taxpayer's Appeal – Annulment of the Resolution Circuit's Decision.

Summary:

The Appellant's lawsuit against the Appellee concerning Value Added Tax , wherein his objection was centered on the decision of the Resolution Circuit ruling to reject his lawsuit regarding the modification of the tax rate on his work progress bill. The litigation path clarified the Appellant's insistence on applying the previous tax rate on the grounds that the completed works relate to an original master contract that was extended over several stages without this being considered a regulatory renewal. Whereas the Appeal Circuit relied on the examination of the documents which proved the connection of the invoice in dispute with the original contract and the sequence of its continuous extension stages, which negates the description of "renewal" mentioned in the regulations; the consequence thereof is the acceptance of the appeal procedurally and on the merits, the annulment of the Resolution Circuit's decision, and ruling de novo to annul the Appellee's decision regarding the item of local taxable sales in the amount of SAR (1,904,013.88).

Document

- Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Paragraph (10/c - d) of Article (79) of the Implementing Regulations of the Value Added Tax Law, issued by Decision of the Board of Directors of the General Authority of Zakat and Tax No. (3839) dated 14 Dhu al-Hijjah 1438 AH.

Facts:

Whereas the facts of this lawsuit are set forth in the decision subject to appeal, the Appeal Circuit refers thereto to avoid repetition. Whereas the decision of the Resolution Circuit ruled as follows:

First: Acceptance of the lawsuit procedurally.

Second: On the merits: Rejection of the Plaintiff's lawsuit.

Whereas this decision did not meet with the Appellant's acceptance, he submitted an appeal brief to the Appeal Circuit containing his objection to the Resolution Circuit's decision, which ruled to reject his lawsuit regarding the objection to the final assessment for the tax period of August 2021 AD, due to the execution of the works of the progress bill during June 2021 AD (i.e., during the transitional period), relying on the provisions of Paragraph (10/d) of Article (79) of the Implementing Regulations of the Value Added Tax Law. Furthermore, the due tax rate is calculated based on the date of supply without regard to the date of invoice issuance, pursuant to Paragraph (10/a) of the same Article. In addition, the project owner is (...) and the consultant supervising the project execution is (... Company), the main contractor is (... Company), and the executing subcontractor is (the Appellant). The Appellant clarifies that his determination of the tax at a rate of 5% was based on the progress bill "letter" submitted by the consultant to the project owner, which included the application of the tax at 5% in accordance with the circulars issued by the Zakat Authority and the Ministry of Finance regarding the application of tax during the fiscal year 1439/1440 AH, as well as the letter of (... Company) which included calculating the tax at 5%. Since the project owner is a government entity, the progress bill approval letter was adhered to. The Appellant concluded with a request to accept the appeal and annul the Resolution Circuit's decision.

On Tuesday, dated 24/10/1446 AH, corresponding to 22/04/2025 AD, at 12:52 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes convened its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote virtual litigation procedures, pursuant to the provisions of Paragraph (1) of Article Fifteen of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and whereas the lawsuit is ripe for adjudication in its current state, the Circuit decided to close the pleadings and reserve the case for adjudication.

Grounds

Whereas, upon reviewing the lawsuit documents and the submitted appeal brief, it became evident to the Circuit that the appeal satisfies the conditions for procedural admissibility under the relevant laws, regulations, and decisions. Thus, the appeal request is procedurally acceptable as it was submitted by an authorized person with standing within the prescribed statutory period.

On the merits, upon the Appeal Circuit's review of the case files and examination of the documents and papers contained therein, and after reviewing the memoranda and responses submitted by both parties, it became evident to the Appeal Circuit that the decision issued by the Resolution Circuit ruled to reject the Appellant's lawsuit regarding the objection to the final assessment for the tax period of August 2021 AD. Whereas the Appellant objects to the Resolution Circuit's decision because the progress bill works were executed during

June 2021 AD (i.e., during the transitional period), relying on the provisions of Paragraph (10/d) of Article (79) of the Implementing Regulations of the Value Added Tax Law. Furthermore, the due tax rate is calculated based on the date of supply without regard to the date of invoice issuance, pursuant to Paragraph (10/a) of the same Article. Additionally, the project owner is (...), the supervising consultant for the project execution is (... Company), the main contractor is (... Company), and the executing subcontractor is (the Appellant). The Appellant clarified that his determination of the tax at a rate of 5% was based on the progress bill "letter" submitted by the consultant to the project owner, which included the application of the tax at 5% in accordance with the circulars issued by the Zakat Authority and the Ministry of Finance regarding the application of tax during the fiscal year 1439/1440 AH, in addition to the letter of (... Company) which included calculating the tax at 5%. Since the project owner is a government entity, the progress bill approval letter was adhered to.

Upon the Appeal Circuit's review of the contents of the case file, and whereas the Appellant objects to the Resolution Circuit's decision which affirmed the procedure of the Appellee (the Authority) in subjecting the disputed progress bill in the amount of SAR (1,904,013.88) to tax at a rate of 15% instead of 5% for violating the conditions set forth in Paragraph (10/c) of Article (79) of the Implementing Regulations of the Value Added Tax Law, due to the extension of the master contract on 08/09/2020 AD (i.e., after the issuance of the Transitional Provisions decision). After reviewing the documents submitted by the parties to the lawsuit, it is evident that the disputed progress bill invoice, issued on 16/08/2021 AD by the Appellant (as a subcontractor) to the client (... Company) for the completed works of June 2021 AD, relates to the execution of the project for the construction of the (...) building. It is clear that the Appellant is the subcontractor for the project, and the client (... Company) is the main contractor for the project, pursuant to the agreement concluded on (03/06/1436 AH) corresponding to (24/03/2015 AD) between (...) and (... Company jointly with ... Establishment). The submitted agreement included the execution of the project within 18 months from the date of site delivery.

By reviewing progress bill No. (...) issued by the main contractor to the project owner for the completed works from (02/06/2021 AD to 30/06/2021 AD), it is clear that the project was extended for an additional period of 56 months; meaning that the duration of the master contract was extended over several stages according to the Appellant's statement to the Authority. By matching the disputed invoice submitted in the Authority's memorandum, issued by the Appellant (subcontractor) to the client (main contractor), it appears that it is linked to and matches the value of the master progress bill No. (...) issued by the main contractor to the project owner in the amount of SAR (1,904,013.88). This means that the disputed progress bill invoice concerning the subcontractor's works with the main contractor is considered a subsidiary to the master contract.

Consequently, since the completed works of the invoice are works related to the master contract concluded in 2015 AD, which was extended over several stages according to the sequence set forth in the Authority's memorandum, in addition to the data contained in the master progress bill proving the extension of the contract duration, the concept of "renewal" provided for in Paragraph (10/c) of Article (79) of the Implementing

Regulations of the Value Added Tax Law does not apply to this case. Therefore, the Appeal Circuit concludes by Acceptance of the 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, regarding the amount of SAR (1,904,013.88) (one million, nine hundred and four thousand, thirteen Riyals and eighty-eight Halalas), concerning the item of taxable domestic sales at the standard rate of 15%, the annulment of the Resolution Circuit's decision, and the 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-2025-240797

Case No. V-2024-240797

Keywords:

Value Added Tax – Domestic purchases subject to Tax – Acceptance of the Taxpayer's Appeal – Annulment of the Resolution Circuit's Decision – Remanding the Case to the Circuit that issued the decision for Consideration.

Summary:

The Appellant's lawsuit against the Appellee relating to Value Added Tax, whereas his objection centered on the Resolution Circuit's decision which ruled the non-acceptance of his lawsuit procedurally on the grounds of combining more than one objection in a single statement of claim. The course of litigation clarified the Appellant's adherence to the soundness of the procedures of his registered lawsuit and its progression past the stages of exchanging memoranda and pleadings without the Authority raising a defense regarding its registration mechanism. And whereas the Appeal Circuit relied on the fact that the lawsuit was registered chronologically prior to the publication of the new Rules of Operation for the Committees and their entry into force in the Official Gazette, which prevents the application of the provisions of Article Eleven to it; the implication of this is: acceptance of the appeal procedurally, and on the merits by annulling the Resolution Circuit's decision, and remanding the lawsuit to it for reconsideration.

Document

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

Facts:

Since the facts of this lawsuit were detailed in the decision subject to appeal, the Appeal Circuit refers to it to avoid repetition. The Resolution Circuit Decision No. (VJ-2023-203656) dated 30/08/2023 AD ruled as follows:

Non-acceptance of the lawsuit procedurally due to the failure to submit the objection before the Defendant in accordance with the provisions of Articles (2) and (3) of the Rules of Operation for the Circuits of Resolution of Tax Violations and Disputes.

Thereafter, the Appeal Circuit Decision No. (VA-2024-210056) dated 03/04/2024 AD ruled as follows:

First: Acceptance of the appeal submitted by / (...) – National ID No. (...), procedurally, for being submitted within the statutorily prescribed period.

Second: Acceptance of the appeal submitted by / (...) – National ID No. (...), on the merits, and the annulment of the Decision of the First Circuit for the Resolution of Value Added Tax Violations and Disputes in Jeddah Governorate No. (V-2023-203656), and remanding the case to it for consideration in accordance with the reasons set forth.

Following this, the Resolution Circuit Decision No. (VJ-2024-234512) dated 31/07/2024 AD ruled as follows:

Non-acceptance of the lawsuit procedurally in accordance with the provisions of Article Eleven of the Rules of Operation for Zakat, Tax, and Customs Committees.

As this decision did not meet the acceptance of the Appellant, he submitted an appeal brief to the Appeal Circuit containing his objection to the Resolution Circuit's decision which dismissed the case procedurally in accordance with the provisions of Article Eleven of the Rules of Operation for Zakat, Tax, and Customs Committees.

The Appellant argued that the lawsuit was considered by the Resolution Circuit, went through the stage of exchanging responsive memoranda by the Authority and the replies thereto, during which the Authority did not contest or reference Article (11) of the Rules of Operation for Zakat, Tax, and Customs Committees. Subsequently, a hearing was scheduled, the Resolution Circuit issued its decision, and an objection was made against it leading to the filing of the appeal. All of these stages constituted the application of Articles (14, 15, 16, 17, 18) of the Rules of Operation for Zakat, Tax, and Customs Committees. The Appellant concluded with a request to accept the appeal and annul the Resolution Circuit’s decision.

On Tuesday, 26/08/1446 AH, corresponding to 25/02/2025 AD, at 02:04 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures, pursuant to the provisions of Paragraph (1) of Article Fifteen of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH. Having reviewed the appeal request, the submitted memoranda, and the papers and documents contained in the case file, the Circuit decided to adjourn the consideration of the lawsuit for further study and deliberation. The hearing was concluded at exactly 02:57 PM.

On Tuesday, 17/10/1446 AH, corresponding to 15/04/2025 AD, at 02:56 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures, pursuant to the provisions of Paragraph (1) of Article Fifteen of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH. Having reviewed the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and whereas the lawsuit is ripe for adjudication in its current state, the Circuit decided to close the pleadings and reserve the case for adjudication.

Grounds

Whereas by reviewing the lawsuit documents and the submitted appeal brief, 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 for being submitted by a person with standing and within the prescribed statutory period for its submission.

On the merits, upon the Appeal Circuit's review of the case file and examination of its documents, and after reviewing the memoranda and replies submitted by both parties, it became clear to the Appeal Circuit that the decision issued by the Resolution Circuit ruled to reject the case procedurally in accordance with the provisions of Article Eleven of the Rules of Operation for Zakat, Tax, and Customs Committees.

The Appellant objects to the Resolution Circuit's decision on the grounds that the lawsuit was considered by the Resolution Circuit, progressed through the exchange of responsive memoranda by the Authority and the replies thereto, and the Authority did not contest or reference Article (11) of the Rules of Operation for Zakat, Tax, and Customs Committees. This was followed by the scheduling of a hearing, the issuance of the Resolution Circuit's decision, the objection thereto, and the filing of the appeal—all of which represent the application of Articles (14, 15, 16, 17, 18) of the Rules of Operation for Zakat, Tax, and Customs Committees.

Upon the Appeal Circuit's review of the appeal brief and the defenses submitted by both parties, and whereas the Plaintiff (Appellant) originally filed his lawsuit before the Resolution Circuit on 26/07/2023 AD, corresponding to 08/01/1445 AH; and upon reviewing Paragraph (1) of Article (Eleven) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Circular No. (25711) dated 08/04/1445 AH, which provides: "The lawsuit shall be filed in accordance with the requirements determined by the General Secretariat, satisfying the following data: ..., and a single statement of claim shall not combine more than one objection before the Authority, and an independent lawsuit shall be registered for each objection."; and upon reviewing Article (Fifty-One) of the same Rules, which provides: "2- The Rules shall be published in the Official Gazette and shall come into force from the date of their publication."; and whereas the Rules were published on 12/04/1445 AH, corresponding to 27/10/2023 AD; therefore, the lawsuit No. (VJ-2023-203656) filed on

26/07/2023 AD was registered prior to the entry into force of the Rules upon which the Resolution Circuit relied to reject the case procedurally. Consequently, the Appeal Circuit concludes that the submitted appeal must be accepted.

For these reasons and after 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 Value Added Tax Violations and Disputes in Jeddah Governorate No. (VJ-2024-234512), and remanding the case to it for consideration in accordance with the reasons set forth.

Value Added Tax – Value Added 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-2025-246671

Case No. V -2024-246671

Keywords:

Value Added Tax – Tax Refund – Rejection of the Taxpayer's Appeal – Affirmation of the Resolution Circuit's Decision

Summary:

The Taxpayer's appeal against the Appellee regarding Value Added Tax , where its objection focused on the decision of the Resolution Circuit which ruled to reject its lawsuit on the merits regarding its request for a VAT refund for the first quarter of the year 2023 AD. The Taxpayer clarified its entitlement to a refund for infrastructure and superstructure costs and paid invoices due to the applicability of the Rules and Procedures Related to Qualified Real Estate Developers. Whereas the Appeal Circuit relied on the compliance of the Resolution Circuit's decision with the provisions of the Law, and its being based on sound and sufficient grounds to support its ruling after examining the core of the dispute therein, and the lack of impact of the raised defenses on the outcome; the effect of this is: Acceptance of the appeal procedurally, and its rejection on the merits, and Affirmation of 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.

Facts:

Whereas the facts of this lawsuit were set forth in the decision subject to appeal, the Appeal Circuit refers to it to avoid repetition. Whereas the decision of the Resolution Circuit therein ruled as follows:

First: Acceptance of the lawsuit procedurally.

Second: On the merits: Rejection of the Plaintiff's lawsuit.

Whereas this decision did not meet the acceptance of the Appellant, it submitted an appeal brief to the Appeal Circuit containing its objection to the decision of the Resolution Circuit ruling to reject its lawsuit on the merits regarding the request for a VAT refund for the first quarter of the year 2023 AD; as the Appellant claims in project (...) the refund of Value Added Tax in the amount of SAR 5,973,449.44 and SAR 1,883,461 related to an off-plan sale project concluded between the owners and the developer (the Appellant), noting that the refund requests consist of two parts: infrastructure cost (land purchase value) and superstructure cost (pertaining to the private areas of the Appellant). It also claims in project (...) a VAT refund in the amount of SAR 477,894.16, as it is a project qualified for refund due to the applicability of Clause Sixth (C) of the Rules and Procedures Related to Real Estate Developers, and licensed for off-plan sale projects. It denies the validity of what was indicated by the Appellee in rejecting the portion corresponding to the boundaries of ownership, as no amounts have been refunded for project (...) to date. In addition, it claims a VAT refund in the amount of SAR 1,561,081.16 relating to paid invoices, which were claimed in accordance with the Rules and Procedures Related to Qualified Real Estate Developers Eligible for Refund. The Appellant also claims a VAT refund in the amount of SAR 4,360.78, noting that it submitted proof of payment and supporting documents, and that this amount is conflated with project (...), as mentioned in the decision that 34% was accepted and the rest of the amounts were excluded completely, from which it is clear to you that there has been a confusion in the grounds for exclusion between the lack of a document and project (...). It concluded with a request to accept the appeal and annul the decision of the Resolution Circuit.

On Tuesday, 25/09/1446 AH, corresponding to 25/03/2025 AD, at 02:12 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article Fifteen of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. After reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, the Circuit decided to postpone the consideration of the lawsuit for further study. The hearing was concluded at exactly 02:59 PM.

On Thursday, 10/11/1446 AH, corresponding to 08/05/2025 AD, at 01:29 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded above, via video conferencing in accordance with remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article Fifteen of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. After reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and whereas the lawsuit is ripe for adjudication in its current state, the Circuit decides to close the pleadings and reserve the case for adjudication.

Grounds

Whereas, upon reviewing the lawsuit documents and the submitted appeal brief, it became evident to the Circuit that the appeal satisfies the conditions of procedural admissibility in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; accordingly, the appeal request is procedurally acceptable as it was submitted by a person with standing and within the prescribed statutory period.

On the merits, upon the Appeal Circuit's review of the case files and examination of the documents and papers contained therein, and after reviewing the memoranda and responses submitted by both parties, it became evident to the Appeal Circuit that the decision issued by the Resolution Circuit ruled to reject its lawsuit on the merits regarding the request for a VAT refund for the first quarter of the year 2023 AD. Whereas the Appellant objects to the Resolution Circuit's decision; as it claims in project (...) the refund of Value Added Tax in the amount of SAR 5,973,449.44 and SAR 1,883,461 related to an off-plan sale project concluded between the owners and the developer (the Appellant), noting that the refund requests consist of two parts: infrastructure cost (land purchase value) and superstructure cost (pertaining to the private areas of the Appellant).

It also claims in project (...) a VAT refund in the amount of SAR 477,894.16, as it is a project qualified for refund due to the applicability of Clause Sixth (C) of the Rules and Procedures Related to Real Estate Developers, and licensed for off-plan sale projects. It also denies the validity of what was indicated by the Appellee in rejecting the portion corresponding to the boundaries of ownership, as no amounts have been refunded for project (...) to date. In addition, it claims a VAT refund in the amount of SAR 1,561,081.16 relating to paid invoices, which were claimed in accordance with the Rules and Procedures Related to Qualified Real Estate Developers Eligible for Refund. The Appellant also claims a VAT refund in the amount of SAR 4,360.78, noting that it submitted proof of payment and supporting documents, and that this amount is conflated with project (...), as mentioned in the decision that 34% was accepted and the rest of the amounts were excluded completely, from which it is clear to you that there has been a confusion in the grounds for exclusion between the lack of a document and project (...).

Since it is established that the contested decision regarding the dispute under consideration was compliant with the provisions of the Law and based on sound and sufficient grounds to support its ruling, as the circuit that issued it examined the core of the dispute therein and reached the conclusion stated in its operative part, and whereas the Appeal Circuit did not find anything requiring correction or comment in light of the defenses raised before this Circuit, which leads it to conclude that they do not affect the outcome of the decision. Based on the foregoing, the Circuit concludes to reject the appeal and affirm the decision of the Resolution Circuit in its findings, based on its own grounds.

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

Decision

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

Second: Rejection of the appeal submitted by / (...) 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-2025-247693

Case No. V-2025-247693

Keywords:

Value Added Tax – Tax Refund – Rejection of the Authority's Appeal – Affirmation of the Resolution Circuit's Decision

Summary:

The Appellant's appeal against the Appellee relating to Value Added Tax, whereas its objection centered on the Resolution Circuit's decision which ruled to obligate it to accept the tax refund request for the Taxpayer. The Appellant clarified that the documents were not initially submitted during the audit, in addition to the fact that the parties to the agreement are related parties. And whereas the Appeal Circuit relied on the proven submission of a technical engineering report confirming that the project related to the disputed invoice was under construction, which supports the validity of the entitlement and the decision's compliance with the Law; the implication of this is: acceptance of the appeal procedurally, and its rejection on the merits, and upholding the Resolution Circuit's decision to accept the refund request in the amount of (112,500.00) Riyals.

Document

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

Facts:

Whereas the facts of this case have been fully detailed in the decision subject to appeal, the Appeal Circuit hereby refers to the same to avoid repetition. The operative part of the Resolution Circuit's decision ruled as follows:

First: Acceptance of the lawsuit procedurally.

Second: On the Merits: To compel the Defendant / the Zakat, Tax and Customs Authority (ZATCA) to accept the tax refund request submitted by the Plaintiff / (...) Company, Commercial Registration No. (...), in the amount of SAR 112,500 (One Hundred Twelve Thousand Five Hundred Saudi Riyals).

Whereas this decision did not meet the acceptance of the Appellant, it submitted an appeal brief to the Appeal Circuit containing its objection to the Resolution Circuit's decision that obliged it to accept the tax refund request submitted by the Appellee in the amount of SAR 112,500.

The Appellant based its appeal on the grounds that the Appellee failed to present the "Contract Agreement Addendum" document to the Authority during the initial stage, which was only subsequently submitted within the case file. The Authority argued that the Appellee's failure to present these documents to the Authority initially during the field audit phase serves as evidence that the document did not exist at that time.

Furthermore, the Authority emphasized that the contract amendment addendum submitted by the Appellee was executed between related parties, namely:

The First Party: (...) Company, a single-member company (Project Owner), represented by Mr. (...), in his capacity as the Company Manager.

The Second Party: (...) Establishment, represented by Mr. (...), in his capacity as the Establishment Manager.

Based on these grounds, both parties are related parties. The Appellant concluded by requesting the acceptance of its appeal.

On Sunday, 04/01/1447 AH, corresponding to 29/06/2025 AD, at 04:20 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with remote litigation procedures, pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH. And after reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, the Circuit decided to adjourn the consideration of the lawsuit to a session to be scheduled later for further study. The hearing adjourned at exactly 04:50 PM.

On Monday, 24/02/1447 AH, corresponding to 18/08/2025 AD, at 01:32 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with remote litigation procedures, pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH. And after reviewing the appeal request and examining the submitted memoranda and documents in the case file, and whereas the lawsuit is ripe for adjudication in its current state, the Circuit decided to close the pleadings and reserve the case for adjudication.

Grounds

Whereas, upon reviewing the lawsuit documents and the submitted appeal brief, it is established to the Circuit that the statutory requirements for considering the appeal procedurally have been met in accordance with the conditions stipulated in the relevant laws, regulations, and decisions. Consequently, the appeal request is accepted procedurally as it was filed by an authorized party within the prescribed statutory period.

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 to obligate the Appellant to accept the tax refund request submitted by the Appellee in the amount of (112,500). And whereas the Appellant objects to the Resolution Circuit's decision because the Appellee did not submit to the Authority the "Contract Agreement Addendum" document, which it had submitted in the lawsuit file. The Authority argued that the Appellee's failure to submit the documents before the Authority initially during the audit stage is considered evidence of the non-existence of the document originally at that time, emphasizing that the contract amendment addendum submitted by the Appellee involves two parties: the First Party / (...) Company, a one-person company (the project owner), represented by / Mr. (...), in his capacity as the company manager, and the Second Party / (...) Establishment, represented by Mr. / (...), in his capacity as the establishment manager.

And since it is established that the Authority attached an engineering report titled "Technical Report for Reviewing the Project Quantities for Tax Approval" dated (30/04/2024), as stated in its appeal brief. It is evident through the document that the project is related to the requested refund amount of (112,500) Riyals and the same disputed Invoice No. (58), which proves that the project was under construction, thereby proving the validity of the Appellee's claim to refund the amount of (112,500) Riyals. 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 support its ruling, as the issuing Circuit undertook the scrutiny of the core of the dispute therein and concluded regarding it to the result it reached in its operative part. And whereas we did not notice regarding it anything necessitating correction or commentary in light of the submitted defenses raised in the appeal stage, a matter with which we consider they do not affect the result of the decision. Based on the foregoing, we conclude the acceptance of the appeal procedurally, its rejection on the merits, and upholding the appealed Resolution Circuit's decision.

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

Decision

First: Acceptance of the appeal procedurally.

Second: Rejection of the appeal on the merits.

Value Added Tax – Penalties

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

Decision No VA-2025-264935

Case No. VT-2025-264935

Keywords:

Value Added Tax – Penalties – Rejection of the Taxpayer's appeal – Affirmation of the Resolution Circuit's Decision – Amendment of the Operative Part of the decision to reduce the penalty to its minimum limit.

Summary:

The Taxpayer's appeal against the Appellee relating to Value Added Tax, whereas his objection centered on the Resolution Circuit's decision which ruled to reject his lawsuit regarding his objection to the tax evasion penalty imposed against him. The Taxpayer clarified the absence of his criminal intent and the lack of intention to evade, as the resulting deficit occurred as a result of misleading and deception by a services office whose official was legally convicted. And whereas the Appeal Circuit relied on the fact that the criteria for calculating the evasion penalty were based on an internal decision of the Entity's Board of Directors, which is considered a general and abstract regulatory decision affecting legal positions and requires its publication and announcement to the public; and because the Administration did not prove the publication of this decision, the penalty prescribed by the text of the Law must be imposed at its minimum limit equal to the value of the due tax; the implication of this is: acceptance of the appeal procedurally, and its rejection on the merits, while upholding the ruling to amend the value of the tax evasion penalty to become at its minimum limit in the amount of (137,203.55) Riyals.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Articles (39, 40, and 48) of the Value Added Tax Law, issued by Royal Decree No. (M/113) dated 02/11/1438 AH.

Facts:

Since the facts of this case were detailed in the decision subject to appeal, the Appeal Circuit refers to it to avoid repetition. The Resolution Circuit's Decision No. (VJ-2024-230568) dated 06/06/2024 AD ruled as follows:

Recording the abandonment of the lawsuit.

Subsequently, the Appeal Circuit's Decision No. (VA-2025-239357) dated 19/01/2025 AD ruled as follows:

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

Second: Acceptance of the appeal submitted by / (...), National ID No. (...), on the merits, and the Annulment of the decision No. (VJ-2024-230568) issued by the First Circuit for the Resolution of Value Added Tax Violations and Disputes in Jeddah Governorate, and remanding the case to it for consideration on the merits.

Thereafter, the Resolution Circuit's Decision No. (VJ-2025-70) dated 21/04/2025 AD ruled as follows:

First: Acceptance of the lawsuit procedurally.

Second: Rejection of the Plaintiff's lawsuit regarding the objection to the tax evasion penalty subject of the lawsuit.

Whereas this decision did not meet the acceptance of the Appellant, she submitted an appeal brief to the Appeal Circuit containing her objection to the Resolution Circuit's decision which ruled to reject the lawsuit regarding the objection to the tax evasion penalty. The Appellant argued that criminal intent was absent (lack of evasion intent) due to the absence of the elements of the tax evasion crime under Article (39) of the Value Added Tax Law, which requires the presence of criminal intent. The Appellant pointed out that what occurred was the result of incorrect guidance from (...) Office, which deceived her and misled her into believing she was entitled to refund amounts. The employee in charge (...) was indeed convicted under a Sharia judgment. The Appellant also pleaded that she disposed of the refunded amounts only after verifying the soundness of the legal position, which indicates caution and care rather than evasion. She concluded with a request to accept the appeal.

On Wednesday, 04/03/1447 AH, corresponding to 27/08/2025 AD, at 02:31 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures, pursuant to Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. After reviewing the appeal request, the submitted memoranda, and the papers and documents in the case file, the Circuit decided to adjourn the consideration of the lawsuit for further study. The hearing adjourned at exactly 02:56 PM.

On Monday, 14/04/1447 AH, corresponding to 06/10/2025 AD, at 01:18 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures, pursuant to Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. After reviewing the appeal request, the submitted memoranda, and the papers and documents in the case file, and since the lawsuit is ripe for adjudication in its current state, the Circuit decided to close the pleadings and reserve the case for adjudication.

Grounds

Upon reviewing the documents of the case and the submitted appeal brief, it was established to the Circuit that the conditions for considering the appeal procedurally have been met in accordance with the conditions prescribed in the relevant laws, regulations, and resolutions. Accordingly, the appeal request is accepted procedurally as it was submitted by an authorized person within the prescribed statutory period.

On the merits, upon the Appeal Circuit's review of the case papers, its examination of the contained documents, and after reviewing the memoranda and responses submitted by both parties, 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. The Appellant objects to the Resolution Circuit's decision because criminal intent was absent (lack of evasion intent) due to the non-fulfillment of the elements of the tax evasion crime under Article (39) of the Value Added Tax Law, which requires criminal intent. The Appellant pointed out that what occurred was the result of incorrect guidance from (...) Office, which deceived her and misled her into believing she was entitled to refund amounts. The employee in charge (...) was indeed convicted under a Sharia judgment. The Appellant also pleaded that she disposed of the refunded amounts only after verifying the soundness of the legal position, which indicates caution and care 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 General Authority of Zakat and Tax Resolution No. (7-3-2017) dated 12/3/1439 AH approving the internal criteria for determining the value of the financial penalty for tax evasion violations under the Value Added Tax Law; and since the aforementioned Board of Directors' resolution was issued in implementation of Article (48) of the Value Added Tax Law which stipulates: "The Authority shall impose the Penalties provided for in this 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 deemed a regulatory decision issued pursuant to the Value Added Tax Law. Since this type of decision possesses a regulatory nature containing general, abstract rules applicable to all individuals meeting the conditions, thereby affecting their legal positions, it requires public announcement and publication. The burden of proving such publication falls upon the Administration, which is consistent with established judicial principles. Since it was not proven that this resolution was published, the application of Article (40) of the Value Added Tax Law, which stipulates:

"Tax evasion shall be penalized with a penalty not less than the value of the due tax and not exceeding three times the value of the goods or services subject of the evasion," must be carried out by imposing the tax evasion penalty at its minimum limit, which is the value of the due tax. Accordingly, the Appeal Circuit concludes to reject the appeal on the merits while amending the amount of the tax evasion penalty by imposing it at its minimum limit, amounting to SAR (137,203.55) (one hundred thirty-seven thousand two hundred three Riyals and fifty-five Halalas).

For these reasons and after deliberation, 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 the year 2020 AD, while amending the value of the penalty to be at its minimum limit, amounting to a sum of SAR (137,203.55) (one hundred thirty-seven thousand two hundred three Riyals and fifty-five Halalas).

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

Decision No VA-2025-165

Case No. V-2024-246403

Keywords:

Value Added Tax – Penalties – Acceptance of the Authority's Appeal – Annulment of the Resolution Circuit's Decision and Remanding the Case for Consideration.

Summary:

The Appellant's appeal against the Appellee relating to Value Added Tax, whereas its objection centered on the Resolution Circuit's decision which ruled the non-acceptance of the lawsuit procedurally for being filed against a party lacking standing, regarding its claim to obligate him to pay a field inspection penalty in the amount of (10,000) Riyals. The Appellant clarified that the tax account and the commercial register belonging to the Taxpayer were fully valid at the time the violation was detected, without the heirs' representative updating the data or statutorily cancelling the taxable registration. And whereas the Appeal Circuit relied on the transfer of the establishment's financial liability to the heirs while the commercial register remained statutorily valid, and their inability to provide proof of the cessation of the economic activity or the deregistration of the register, which confirms the soundness of the Administration's claims based on the State Revenues Law and the Resolution Circuit's decision's deviation from statutory correctness; the implication of this is: acceptance of the appeal procedurally and on the merits, annulment of the Resolution Circuit's decision, and remanding the lawsuit to it to be considered in accordance with the grounds.

Document

- Rules of Operation for the Zakat, Tax and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH.
- Implementing Regulations of the Value Added Tax Law, issued by the Board of Directors of the General Authority of Zakat and Tax Resolution No. (3839) dated 14/12/1438 AH.
- Article (13) of the Law of State Revenues, issued by Royal Decree No. (M/68) dated 18/11/1431 AH.

Facts:

Since the facts of this case have been outlined in the decision subject to appeal, the Appeal Circuit refers to it to avoid repetition. The Resolution Circuit's decision ruled as follows:

Non-acceptance of the lawsuit procedurally for being filed against a party lacking standing.

Whereas this decision was not accepted by the Appellant, it submitted an appeal brief to the Appeal Circuit containing its objection to the Resolution Circuit's decision, which had ruled the case inadmissible procedurally for being filed against a party lacking standing. This relates to the Appellant's claim to compel the Appellee to pay tax dues consisting of a field-detection penalty of SAR 10,000.

The Appellant maintains its claim and contests the reasoning of the Resolution Circuit's decision on the basis that the tax account linked to the Appellee's Taxpayer Identification Number remains active and effective after his death, in addition to the continuous conduct of the commercial activity using the same TIN and commercial registration. The Appellant asserts that the penalty under claim was imposed on the commercial registration belonging to the Appellee, which was fully active at the time the penalty was imposed, based on the data entered in its systems.

The Appellant also argued against the claims of the Appellee's agent, who asserted that he had visited the Appellant's headquarters to update his father's data and claimed that the activity had ceased immediately upon death. The records show that the registries are still under the Appellee's name and no update to the tax account has been made, which renders the claim based on a sound statutory basis.

The Appellant holds the heirs' agent liable for failing to update the data, relying on Paragraph (7) of Article (8) of the Implementing Regulations of the Value Added Tax Law, which stipulates:

"A Person registered with the Authority must notify the Authority of any change to the information provided in the registration application within twenty (20) days of the occurrence of such change."

Accordingly, the taxable person remains obligated to apply the provisions of the Law and its Implementing Regulations, including the submission of tax returns and the payment of due amounts until their statutory procedures are finalized and they obtain a deregistration certificate, pursuant to Paragraph (1) of Article (13) of the Implementing Regulations, which stipulates:

"If a Taxable Person ceases to carry out an Economic Activity, in cases other than those where its legal personality ceases to exist, he must apply for deregistration. Deregistration shall take effect from the date determined by the Authority after its approval."

The Appellant also confirmed that it based its claim procedures and its basis in notifying the Appellee to pay the dues related to the field-detection penalty on the Law of State Revenues, and concluded with a request to accept the appeal and annul the Resolution Circuit's decision.

On Monday, 07/11/1446 AH, corresponding to 05/05/2025 AD, at 01:07 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with remote litigation procedures, pursuant to Paragraph (1) of Article (15) of the Rules of Operation for the Zakat, Tax and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH. And after reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and whereas the case is ripe for adjudication in its current state, the Circuit decided to close the pleadings and reserve the case for adjudication.

Grounds

Whereas by reviewing the lawsuit documents and the submitted appeal brief, 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 for being submitted by a person with standing and within the prescribed statutory period 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 non-acceptance of the lawsuit procedurally for being filed against a party lacking standing, which is related to the Appellant's claim to obligate the Appellee to pay the tax dues represented in the field inspection penalty amount of (10,000) Riyals. The Appellant adheres to its claim and contests what was stated in the reasoning of the Resolution Circuit's decision, on the basis that the tax account associated with the Appellee's Tax Identification Number (TIN) remains valid and active after his death, in addition to the continuation of practicing the commercial activity using the same TIN and commercial register.

The Appellant confirms that the claimed penalty was imposed on the commercial register belonging to the Appellee, which was in a state of full validity at the time the penalty was imposed, based on the data listed in its systems. The Appellant also argued the invalidity of what the Appellee's representative stated regarding his visiting the Appellant's premises to update his father's data, and his claim that the activity had ceased immediately upon death, as the registers are still in the Appellee's name, and no update was made to the tax account, which makes the claim based on a valid statutory ground. The Appellant holds the heirs' representative responsible for not updating the data, based on Paragraph (7) of Article (8) of the Implementing Regulations of the Value Added Tax Law, which stipulates: "The person registered with the Authority must notify it in the event any change occurs to the registration application information within twenty (20) days from the date the change occurred."

Thus, the taxable person remains obligated to apply the provisions of the Law and its Implementing Regulations, including submitting tax returns and paying the due amounts until completing his statutory procedures, and obtaining the registration cancellation certificate, in accordance with what is stipulated by Paragraph (1) of Article (13) of the Implementing Regulations, which stipulates: "If the taxable person ceases to practice the economic activity in cases other than the cessation of his legal personality, he must cancel his registration, and the cancellation shall be deemed effective from the date specified by the Authority after its approval of the cancellation." The Appellant also affirms that it based the claim procedures and its grounds on notifying the Appellee to pay the dues related to the field inspection penalty in accordance with the State Revenues Law.

Upon review, it becomes evident to the Circuit that the Appellant executed the statutory notification stipulated in Article Thirteen of the State Revenues Law, issued by Royal Decree No. (M/68) dated 18/11/1431 AH. By referring to the notice issued by the Appellant regarding the detection of the field inspection violation, it was issued on 08/03/1446 AH, while the Appellee had died on a prior date, 25/04/1438 AH. And whereas the financial liability of the establishment has transferred to his heirs, and the commercial register remains in a valid state, and the Appellee's heirs were requested to provide proof of the cessation of practicing the economic activity provided that it is dated, in addition to the commercial register deregistration certificate, yet they did not submit proof thereof. And whereas the claimed penalty was issued against a valid commercial register, and on an activity whose cessation the heirs did not prove; the Appellant has exercised its statutory right in accordance with the requirements stipulated in the State Revenues Law. And whereas the Resolution Circuit's decision was issued not to accept the lawsuit procedurally for being filed against a party lacking standing; the appealed decision is unsound from a statutory perspective. Accordingly, the Circuit concludes to accept the appeal.

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

Decision

1. First: Acceptance of the appeal procedurally.
2. Second: Acceptance of the appeal on the merits, annulment of the appealed Circuit’s decision, and remanding the case to the Second Circuit for the Resolution of Value Added Tax Violations and Disputes in Riyadh City for consideration as detailed 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-2025-74

Case No. V-2024-243759

Keywords:

Value Added Tax – Penalties – Rejection of the Taxpayer's appeal – Affirmation of the Resolution Circuit's Decision.

Summary:

The Taxpayer's appeal against the Appellee regarding Value Added Tax, where its objection focused on the Resolution Circuit's decision ruling the Non-acceptance of the lawsuit procedurally regarding its objection to the late payment penalty. The Taxpayer clarified that the disclosure amount is less than the declared mandatory threshold estimated at SAR (375,000), which requires the Annulement of the penalty imposed on it. Whereas the Appeal Circuit relied on the fact that the challenged decision was in conformity with the provisions of the Law and with the reasonable grounds upon which it was based, which are sufficient to support its judgment after scrutinizing the core of the dispute therein; the effect of this is: acceptance of the appeal procedurally, and its rejection on the merits, and Affirmation of 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.

Facts:

Whereas the facts of this lawsuit have been set forth in the decision subject to appeal, the Appeal Circuit refers to it to avoid repetition. Whereas the decision of the Resolution Circuit ruled as follows:

Non-acceptance of the lawsuit procedurally.

Whereas this decision did not meet with the Appellant's acceptance, the owner submitted to the Appeal Circuit an appeal statement containing its objection to the decision of the Resolution Circuit ruling the Non-acceptance of the lawsuit procedurally, on the grounds that the disclosure amount is less than the declared estimated threshold of SAR (375,000). Whereas the objection was made and the request to annul the late payment penalty was repeatedly rejected, concluding with a request to accept the appeal and annul the decision of the Resolution Circuit.

On Wednesday, 25/10/1446 AH, corresponding to 23/04/2025 AD, at 04:02 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded above, via video conferencing in accordance with the remote litigation procedures, pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711), dated 08/04/1445 AH. After reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and whereas the lawsuit is ripe for adjudication in its current state, the Circuit decided to close the pleadings and reserve the case for adjudication.

Grounds

Whereas, upon reviewing the lawsuit documents and the submitted appeal statement, it became evident to the Circuit that the requirements for considering the appeal procedurally have been met in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; consequently, the appeal request is procedurally acceptable as it was submitted by a person with standing and within the prescribed statutory period.

On the merits, upon the Appeal Circuit's review of the lawsuit papers and examination of the documents and instruments contained therein, and after reviewing the memoranda and responses submitted by both parties, it became evident to the Appeal Circuit that the decision issued by the Resolution Circuit ruled the Non-acceptance of the lawsuit procedurally. Whereas the Appellant objects to the Resolution Circuit's decision on the grounds that the disclosure amount is less than the declared estimated threshold of SAR (375,000), and whereas the objection was made and the request to annul the late payment penalty was repeatedly rejected; and since it is established that the challenged decision regarding the dispute under consideration was in conformity with the provisions of the Law and the grounds upon which it was based; and whereas the Appeal Circuit did not note anything requiring rectification or comment in light of the defenses raised before this Circuit, which leads it to conclude that they do not affect the outcome of the decision. Based on the foregoing, the Circuit concluded to reject the appeal and affirm the decision of the Resolution Circuit in its findings.

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

Decision

First: Acceptance of the appeal submitted by / [...], Commercial Registration No. [...], procedurally.

Second: Rejection of the appeal submitted by / [...], Commercial Registration No. [...], on the merits.

Excise Tax

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

Decision No VA-2025-240494

Case No. E-2024-240494

Keywords:

Excise Tax – Reassessment item – Acceptance of the Taxpayer's appeal – Annulment of Late payment penalty resulting from the decision.

Summary:

The appeal filed by the Appellant against the Appellee (Zakat, Tax and Customs Authority) regarding the objection to tax differences and late payment Penalties. The Resolution Circuit had previously rejected the Appellant's lawsuit, whereas the Appeal Circuit based its decision on the Appellant's submission of documents and certificates issued by the Saudi Food and Drug Authority proving that the disputed products are free of sugar or added sweeteners, thereby negating their liability to Excise Tax, while the Appellee did not contest the validity of those documents. Consequently, the appeal is accepted procedurally and on the merits by accepting the objection regarding the amount of SAR (394,272) and annulling the corresponding Penalties, while rejecting all other claims.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Implementing Regulations of the Excise Tax Law, as amended by the Decision of the Board of Directors of the Zakat, Tax and Customs Authority No. (23-1-13) dated 15 Rajab 1444 AH.

Facts:

Whereas the facts of this lawsuit have been set forth in the decision subject of the appeal, the Appeal Circuit refers to it to avoid repetition. The decision of the Resolution Circuit ruled as follows:

First: Acceptance of the lawsuit procedurally.

Second: On the merits:

1. Rejection of the Plaintiff's lawsuit regarding the tax differences for the tax periods (the sixth quarter of 2019 AD) and (the first, second, third, and fourth quarters of the year 2020 AD).

2. Rejection of the Plaintiff's lawsuit regarding the late payment penalty for (the sixth quarter of 2019 AD) and (the first, second, third, and fourth quarters of the year 2020 AD).

Whereas this decision did not meet the acceptance of the Appellant, it submitted an appeal brief to the Appeal Circuit containing its objection to the Resolution Circuit's decision which ruled to reject its lawsuit regarding its objection to the tax differences and the late payment penalty for the tax periods (the sixth quarter of 2019 AD) and (the first, second, third, and fourth quarters of the year 2020 AD). This was on the grounds that a portion of the disputed products, classified as "tea," does not contain sugar or other added sweeteners. The Appellant added that the tax was calculated on products served to the consumer in an open, non-hermetically sealed container, which means they are not subject to Excise Tax.

The Appellant also pointed out that these products cannot be converted into a beverage fit for consumption and sale except by adding several substances such as milk and other products. Furthermore, the Appellant noted that the Appellee failed to clarify the mechanism for calculating the tax, thereby violating the provisions of Paragraph (6) of Article (17) of the Implementing Regulations. The Appellant also indicated that it had imported the products (...) during December of the year 2019 AD, asserting that those products were submitted under tariff headings subject to Excise Tax, yet the Authority did not calculate the Excise Tax on these imports, and consequently, the Appellant did not add Excise Tax to them. The Appellant stated that the Authority subsequently imposed the tax and retroactively changed the customs tariff heading for several of the disputed items, concluding with a request to accept the appeal and annul the decision of the Resolution Circuit.

On Tuesday, 17/10/1446 AH, corresponding to 15/04/2025 AD, at 03:10 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. After reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, the Circuit decided to adjourn the consideration to tomorrow's hearing. The hearing was concluded at exactly 03:57 PM.

On Tuesday, 15/11/1446 AH, corresponding to 13/05/2025 AD, at 03:10 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. After reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, the Circuit requested the General Secretariat to direct the Appellee to submit a specific response to the Appellant’s appeal brief regarding the images of the packaging covers attached to its brief. The Circuit also directed the Appellant to submit proof of the absence of sugar in each product individually among the products on which the tax was imposed, and to identify the products to which sugar or sweeteners were not added. Furthermore, the Appellant was required to determine the value of the tax imposed on each product, determine the total tax imposed, and submit the product ingredients data listed on its packaging, within two weeks from this date. The hearing was concluded at exactly 03:57 PM.

On Tuesday, 28/12/1446 AH, corresponding to 24/06/2025 AD, at 01:10 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the parties to the lawsuit, Mr. (...), National ID No. (...), attended in his capacity as an attorney-in-fact for the Appellant pursuant to Power of Attorney No. (...) issued on (08/11/1444 AH), and Law Practice License No. (...). Mr. (...), National ID No. (...), attended in his capacity as a representative for the Appellee pursuant to Authorization No. (...) issued by the Deputy Governor for Legal and Compliance Affairs at the Zakat, Tax and Customs Authority. And after reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and upon questioning the Appellant's attorney about the appeal, his response did not deviate from what was previously stated in the appeal brief, and he adhered to its contents, asserting that there is no added sugar in the disputed products. Upon presenting the appeal to the Appellee's representative, his response did not deviate from what was previously stated in the statement of defense, and he adhered to its contents. Upon the Circuit questioning the Appellee regarding the basis on which the Authority imposed the tax, the Authority's representative replied that it was imposed solely on the basis of the declaration submitted by the Appellant to the Zakat, Tax and Customs Authority, adding that it was not proven that the Appellant did not collect the tax. Upon the Circuit questioning both parties if they wished to add anything, they decided to suffice with what had been previously submitted. Accordingly, the Circuit decided to reserve the case for deliberation preparatory to issuing the decision.

Grounds

Whereas, upon reviewing the case documents and the submitted statement of appeal, it became evident to the Circuit that the statutory requirements for considering the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and decisions, rendering the appeal request admissible procedurally, as it was submitted by a person with standing and within the prescribed statutory period.

On the Merits, upon the Appeal Circuit's review of the case file and examination of the documents and instruments contained therein, and after reviewing the memoranda and responses submitted by both parties, it became evident to the Appeal Circuit that the decision issued by the Resolution Circuit ruled to reject the Appellant's lawsuit regarding its objection to the tax differences and the penalty for delay in payment for the tax periods (the sixth period of 2019) and (the first, second, third, and fourth quarters of the year 2020).

Whereas the Appellant objects to the Resolution Circuit's decision on the grounds that a portion of the products in dispute, classified as (tea), does not contain added sugar or other sweeteners. The Appellant added that the tax was assessed on products served to the consumer in an open, unsealed container, which means they are not subject to excise tax. It further indicated that they cannot be converted into a beverage fit for consumption and sale except by adding several substances such as milk and other products. In addition, the Appellee failed to clarify the tax calculation mechanism, thereby violating the provisions of Paragraph (6) of Article (17) of the Implementing Regulations. The Appellant also noted that it imported the products (...) during December of the year 2019, emphasizing that those products were presented under customs tariff headings subject to excise tax, yet the Authority did not assess the excise tax on these imports, and consequently, the Appellant did not add excise tax to them. The Appellant stated that the Authority subsequently imposed the tax, in addition to retroactively changing the customs tariff heading for several items in dispute.

Upon the Appeal Circuit's review of what the Appellant submitted in its supplementary memorandum dated 26/05/2025 in response to the Circuit's requests, it is revealed that the products claimed not to be subject to the excise tax on goods amounted to SAR 394,272, as follows:

1. Black tea with spices (Adeni tea without sugar) with a tax amounting to SAR 144,936.
2. Karak tea, instant mix, cardamom without sugar, with a tax amounting to SAR 177,120.
3. Karak tea, instant mix, saffron without sugar, with a tax amounting to SAR 72,216.

Whereas the Appellant submitted a document consisting of a table showing the quantities, items, retail price, and the imposed tax, as well as images of the packaging cover for the three products (black tea with spices/Adeni tea without sugar; Karak tea, instant mix, cardamom without sugar; Karak tea, instant mix, saffron without sugar), through which it is evident that they are sugar-free products, along with the product registration certificate from the Saudi Food and Drug Authority (SFDA) proving that they are free of sugar or sweeteners. Meanwhile, the Appellee did not present its view regarding the submitted documents nor did it contest their validity, noting in its response memorandum that it based its decision to subject the products to tax on the Taxpayer's acknowledgment that those products and their classification constitute sweetened beverages in the submitted import declarations, which is deemed an acknowledgment by it that the imported products are taxable. Accordingly, and based on the foregoing, the Appeal Circuit concludes to accept the appeal for the amount of SAR 394,272 (three hundred ninety-four thousand two hundred seventy-two Riyals) regarding the item of excise tax reassessment and to reject all other claims.

With regard to the penalty for delay in payment, whereas the Appellant requests the Annulement of the penalty resulting from the final assessment notice for the tax periods subject of the lawsuit, and whereas the above item has led to the partial acceptance of the appeal, and since the Penalties resulted therefrom, the ancillary follows the principal. Consequently, the Appeal Circuit concludes to partially accept the appeal regarding the Penalties subject of the appeal.

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

Decision

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

Second: On the Merits:

Acceptance of the appeal for the amount of SAR 394,272 (three hundred ninety-four thousand two hundred seventy-two Riyals) regarding the item of excise tax reassessment and rejection of all other claims.

Partial acceptance of the appeal relating to the penalty for delay in payment in accordance with what is stated in (Second/1) above, and rejection of all other claims.

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

Decision No VA-2025-59

Case No. E-2024-243183

Keywords:

Excise Tax – Reassessment Item – Rejection of the Authority's Appeal – Annulment of the Decision of the Zakat, Tax and Customs Authority.

Summary:

The appeal of the Appellant, the Zakat, Tax and Customs Authority, against the Appellee regarding the decision of the Resolution Circuit ruling its lack of jurisdictional competence to consider the lawsuit relating to the tax Reassessment, where the Appellant pleaded the administrative finality of its decision, whereas the Appeal Circuit relied on the Appellant's failure to provide a written notice to the Appellee containing the bases used to calculate the tax in accordance with the requirements of the Implementing Regulations of the Excise Tax Law, which led to the annulment of the Authority's decision. Consequently, the Appellant's appeal is accepted procedurally and rejected on the merits, and the Authority's decision is annulled.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Paragraph (6) of Article (17) of the Implementing Regulations of the Excise Tax Law, as amended by the Board of Directors of the Zakat, Tax and Customs Authority Resolution No. (23-1-13) dated 15 Rajab 1444 AH.

Facts:

Whereas the facts of this lawsuit have been set forth in the decision subject to appeal, the Appeal Circuit refers to it to avoid repetition. Whereas the Resolution Circuit's decision No. (ER-2023-294) dated 16/03/2023 AD ruled as follows:

Annulment of the Defendant's decision subject of the lawsuit and the Penalties resulting therefrom.

Subsequently, the Appeal Circuit's decision No. (VA-2024-192875) dated 06/05/2024 AD ruled as follows:

First: Acceptance of the appeal submitted by the Zakat, Tax and Customs Authority procedurally, for being submitted within the statutorily prescribed period.

Second: On the Merits: Annulment of the decision of the Circuit subject to appeal and remanding it to the same Circuit for consideration in accordance with what is set forth in the grounds.

Thereafter, the Resolution Circuit's decision No. (ER-2024-235843) dated 28/08/2024 AD ruled as follows:

Lack of jurisdictional competence of the Circuit to consider the lawsuit.

Based on the foregoing, and in order to limit the prolongation of litigation and achieve prompt adjudication, the Appeal Circuit decided to consider the submitted objection de novo on the merits.

Whereas this decision did not meet with the Appellant's acceptance, it submitted an appeal brief to the Appeal Circuit containing its objection to the decision of the Resolution Circuit ruling its lack of jurisdictional competence to consider the lawsuit, which includes an objection against the Authority's decision to re-assess the fourth, fifth, and sixth tax periods of the year 2017 AD and the Penalties resulting therefrom. This was on the grounds that the principle of exhaustion of jurisdiction means the cessation of judicial jurisdiction of the judicial member after exhausting all efforts on the substantive issue adjudicated by a final decision, which implies that if the judicial member has not exhausted all efforts on the matter presented, the lawsuit does not fall outside their jurisdiction, and consequently, the Circuit has the right to remand the lawsuit to the same circuit that issued the decision if it finds reasons necessitating a review of the judgment and rectifying any error therein. Furthermore, its decision became immune by lapse of time, as it was issued on 15/12/2021 AD, while the Appellee objected on 14/02/2022 AD, concluding with a request to accept the appeal and annul the decision of the Resolution Circuit.

On Sunday, 22/10/1446 AH, corresponding to 20/04/2025 AD, at 12:39 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes convened its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Item No. (1) of Article Fifteen of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and whereas the case is ripe for judgment in its current state, the Circuit decides to close the pleadings and reserve the case for adjudication.

Grounds

Whereas upon reviewing the lawsuit documents and the submitted appeal brief, it became evident to the Circuit that the conditions for considering the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; accordingly, the appeal request is accepted procedurally for being submitted by an authorized person within the statutorily prescribed period.

On the Merits, upon the Appeal Circuit's review of the case file and examination of the documents and instruments contained therein, and after reviewing the memoranda and responses submitted by both parties, it became evident to the Appeal Circuit that the decision issued by the Resolution Circuit ruled the lack of jurisdictional competence of the Circuit to consider the lawsuit containing the objection against the Authority's decision to re-assess the fourth, fifth, and sixth tax periods of the year 2017 AD and the Penalties resulting therefrom. Whereas the Appellant objects to the decision of the Resolution Circuit on the grounds that the principle of exhaustion of jurisdiction means the cessation of judicial jurisdiction of the judicial member after exhausting all efforts on the substantive issue adjudicated by a final decision, which implies that if the judicial member has not exhausted all efforts on the matter presented, the lawsuit does not fall outside their jurisdiction, and consequently, the Circuit has the right to remand the lawsuit to the same circuit that issued the decision if it finds reasons necessitating a review of the judgment and rectifying any error therein, and that its decision became immune by lapse of time for being issued on 15/12/2021 AD, while the Appellee objected on 14/02/2022 AD.

Whereas the dispute originally lies in the objection of the Appellee (...) against the decision of the Appellant, the Zakat, Tax and Customs Authority, regarding the Reassessment for the fourth, fifth, and sixth tax periods of the year 2017 AD and the Penalties resulting therefrom, requesting the annulment of the Appellant's decision. Upon the Appeal Circuit's review of the lawsuit documents, and whereas the Authority submitted a procedural defense pleading the administrative finality of the decision, and whereas Paragraph Six of Article (Seventeen) of the Implementing Regulations of the Excise Tax Law stipulates: *"The Authority shall notify the person liable to pay the tax, by virtue of a written notice, of the amount of tax due, provided that such notice includes the bases used by the Authority to calculate the amount of tax due."* Upon examining the documents submitted in the lawsuit, it was not proven that such a notice exists in accordance with the requirements stipulated in the aforementioned paragraph, nor is there a date for such notice to verify whether the Authority's decision has become immune. Accordingly, the Appeal Circuit concludes to annul the decision of the Zakat, Tax and Customs Authority.

For these reasons and after deliberation, 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: 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-2025-246332

Case No. E-2024-246332

Keywords:

Excise Tax – Acceptance of Appeal – The Authority – Annulment of the Resolution Circuit's Decision – Remanding the Case to the Competent Circuit for Consideration.

Summary:

The appeal of the Appellant (the Zakat, Tax and Customs Authority) against the Resolution Circuit's decision which ruled its lack of subject-matter jurisdiction to consider the lawsuit claiming a field inspection penalty, whereas the Appellant argued that the responsibility for classifying the lawsuit falls upon the General Secretariat of the Zakat, Tax and Customs Committees, and that the error in classification is considered a technical malfunction in the Secretariat's system not attributable to the Appellant. The Appeal Circuit relied in its decision on the fact that classifying the type of lawsuit is an organizational procedure falling within the statutory competencies and responsibilities of the General Secretariat after the registration of the lawsuit, which means the invalidity of holding the Appellant liable for the consequences of this technical error; the implication of this is: acceptance of the appeal procedurally and on the merits, annulment of the Resolution Circuit's decision, and remanding the lawsuit to be considered by the competent circuit.

Document

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

Facts:

Whereas the facts of this lawsuit have been stated in the appealed decision, the Appeal Circuit refers to it to avoid repetition. And whereas the Resolution Circuit's decision ruled there in the following:

- Lack of Jurisdictional Competence of this Circuit to consider this lawsuit.

And whereas this decision did not meet the Appellant's acceptance, it submitted an appeal brief to the Appeal Circuit containing its objection to the Resolution Circuit's decision which ruled the Circuit's lack of subject-matter jurisdiction, and which is related to the Appellant's claim to obligate the Appellee to pay the tax dues represented in the field inspection penalty amount of (10,000) Riyals. The Appellant also adheres to its claim and confirmed that the responsibility for classifying the lawsuit falls upon the Secretariat, as the lawsuit is submitted by the Appellant and there is no option to classify the type, and it is classified by the General Secretariat. And whereas the classification of the lawsuit as one related to Excise Tax resulted in the issuance of the present decision of lack of jurisdiction, it indicated that it would have been more appropriate for the Circuit considering the lawsuit to direct the Secretariat to refer the lawsuit to the competent circuit so it could be listed by the Secretariat within the schedule of the circuit competent to consider it, based on Article Forty-Nine of the Rules, or to include in its decision the referral of the lawsuit to the circuit holding jurisdiction to consider the lawsuit, and it concluded by requesting the acceptance of the appeal and the annulment of the Resolution Circuit's decision.

On Sunday, 06/11/1446 AH, corresponding to 04/05/2025 AD, at 05:03 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with the procedures of remote visual litigation, based on what is stated in Item No. (1) of Article Fifteen of the Rules of Operation for the Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. And after reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and whereas the lawsuit is ready for adjudication in its current state, the Circuit decides to close the hearing of pleadings and reserve the case for judgment.

Grounds

And whereas by reviewing the lawsuit documents and the submitted appeal brief, it became evident to the Circuit that the conditions for considering the appeal procedurally have been fulfilled in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; a matter with which the appeal request is procedurally acceptable for being submitted by a party with standing, and within the statutory period prescribed for its execution.

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 Circuit's lack of subject-matter jurisdiction, which is related to the Appellant's claim to obligate the Appellee to pay the tax dues represented in the field inspection penalty amount of (10,000) Riyals.

And whereas the Appellant objects to the Resolution Circuit's decision because the responsibility for classifying the lawsuit falls upon the Secretariat, as the lawsuit is submitted by the Appellant and there is no option to classify the type, and it is classified by the General Secretariat. And whereas the classification of the lawsuit as one related to Excise Tax resulted in the issuance of the present decision of lack of jurisdiction, it indicated that it would have been more appropriate for the Circuit considering the lawsuit to direct the Secretariat to refer the lawsuit to the competent circuit so it could be listed by the Secretariat within the schedule of the circuit competent to consider it, based on Article Forty-Nine of the Rules, or to include in its decision the referral of the lawsuit to the circuit holding jurisdiction to consider the lawsuit.

And after reviewing the submitted defenses, it becomes evident to the Circuit that the Appellant has no connection to the classification of the lawsuit at the General Secretariat, and the Appellee did not submit a memorandum in response to the appeal brief submitted by the Authority. And whereas the classification of the type of lawsuit, in terms of it being an Excise Tax lawsuit indicated by the letter (E) within the lawsuit number, or a Value Added Tax lawsuit indicated by the letter (V), is a procedure within the jurisdiction of the General Secretariat, and is considered among its statutory responsibilities after the registration of the lawsuit by the Plaintiff. Accordingly, the error in classification is not attributable to the Appellant, but rather is considered a technical malfunction in the Secretariat's system. Based on the foregoing, the Circuit concludes to accept the appeal.

For these reasons and after statutory deliberation, 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 Resolution Circuit, and remanding the case to the competent circuit for consideration in accordance with the reasons and grounds set forth in 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-2025-265178

Case No. ST-2025-265178

Keywords:

Excise Tax – Expiration of Statutory Period for Objection – Acceptance of Taxpayer's Appeal – Annulment of the Resolution Circuit's Decision and Remanding the Case for Consideration on the Merits.

Summary:

The Appellant's appeal against the Appellee regarding its objection to the Resolution Circuit's decision which ruled the non-acceptance of its lawsuit procedurally due to the lapse of the statutory period, whereas the Resolution Circuit considered that the submitted objection to the Excise Tax assessment had exceeded the specified period. Meanwhile, the Appeal Circuit relied on the proven submission by the Appellant of its objection within the statutory time, and that the prior closure of the lawsuit by the Acceptance and Follow-up Department was based on an incorrect assessment of its inclusion within another lawsuit, which resulted in depriving the Appellant of the consideration of the merits of its lawsuit; the implication of this is: acceptance of the appeal procedurally and on the merits, annulment of the Resolution Circuit's decision, and remanding the lawsuit to it for consideration on the merits.

Document

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

Facts:

Whereas the facts of this lawsuit have been stated in the appealed decision, the Appeal Circuit refers to it to avoid repetition. And whereas the Resolution Circuit's decision ruled therein the following:

Non-acceptance of the lawsuit procedurally due to the lapse of the statutory period.

And whereas this decision did not meet the Appellant's acceptance, it submitted an appeal brief to the Appeal Circuit containing its objection to the Resolution Circuit's decision which ruled the non-acceptance of the lawsuit procedurally due to the lapse of the statutory period. This is because the decision was issued contrary to what the Plaintiff requested in its statement of claim, and that the tax period subject of the lawsuit relating to the Excise Tax assessment on French coffee for the first period of 2020 had been previously objected to, due to the prior acceptance of the objection to it, and it concluded by requesting the acceptance of the appeal.

On Monday, 23/03/1447 AH, corresponding to 15/09/2025 AD, at 03:30 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with the procedures of remote visual litigation; based on what is stated in Item No. (1) of Article Fifteen of the Rules of Operation for the Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. By calling upon the parties to the lawsuit, there attended on behalf of the Appellant / (...), (Saudi National) National ID No. (...), in her capacity as the Appellant's representative by virtue of Power of Attorney No. (...) dated (08/11/1446 AH) and Law Practice License No. (...); and there attended on behalf of the Appellee / (...), (Saudi National) National ID No. (...), in his capacity as the Appellee's representative by virtue of Authorization Letter No. (...) issued by the Vice Governor for Legal Affairs and Compliance at the Zakat, Tax and Customs Authority. After reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and upon asking the Appellant's representative about the appeal, she answered with nothing departing from what was previously stated in the appeal brief and adheres to what was stated therein. By presenting the appeal to the Appellee's representative, he answered with nothing departing from what was previously stated in the memorandum in response and adhered to what was stated therein. Upon asking them what they wish to add, they decided to be satisfied with what was previously submitted; therefore, the Circuit decided to reserve the case for deliberation in preparation for issuing the decision.

Grounds

And whereas by reviewing the lawsuit documents and the submitted appeal brief, it became evident to the Circuit that the conditions for considering the appeal procedurally have been fulfilled in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; a matter with which the appeal request is procedurally acceptable for being submitted by a party with standing, and within the statutory period prescribed for its execution.

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 non-acceptance of the lawsuit procedurally due to the lapse of the statutory period. And whereas the Appellant objects to the Resolution Circuit's decision because the decision was issued contrary to what the Plaintiff requested in its statement of claim, and that the tax period subject of the lawsuit relating to the Excise Tax assessment on French coffee for the first period of 2020 had been previously objected to, due to the prior acceptance of the objection to it.

And upon the Appeal Circuit's review of the lawsuit documents, it was proven that the Appellant initially submitted an objection before the Resolution Circuit regarding the first period of 2020 on the date of 13/04/2022 AD. However, the lawsuit relating to the first period of 2020 was closed by the Acceptance and Follow-up Department at the General Secretariat of the Zakat, Tax and Customs Committees, and it became evident that the reason for the closure is that Lawsuit No. (E-2022-115285), which pertains to the first tax period of 2020, is included within Lawsuit No. (E-2022-115288). Nevertheless, it was proven through the examination of the lawsuit documents that the finalized Lawsuit No. (E-2022-115288) includes only the second period of 2020, and does not include the first period of 2020, a matter which proves the invalidity of closing Lawsuit No. (E-2022-115285). Furthermore, the Appellant was not notified at that time of the closure of the lawsuit; a matter with which the Appeal Circuit concludes to the operative part stated below.

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

Decision

First: Acceptance of the appeal procedurally.

Second: On the Merits: Acceptance of the appeal, annulment of the decision of the First Circuit for the Resolution of Excise Tax Violations and Disputes in Riyadh City, and remanding the case to the said circuit for consideration in accordance with the grounds set forth in 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-2025-246698

Case No. E-2024-246698

Keywords:

Excise Tax – Tax Assessment – Late payment penalty – Rejection of the Authority's Appeal – Affirmation of the Resolution Circuit's Decision with Amendment of its Grounds.

Summary:

The Appellant's appeal against the Appellee regarding its objection to the Authority's decision on the tax assessment and late payment penalties for the tax periods during the years 2021 and 2022, whereas the Resolution Circuit annulled the Authority's decision due to the non-fulfillment of procedural conditions. Meanwhile, the Appeal Circuit relied on the lack of proof regarding the bases for calculating the tax or notifying the Appellee thereof in accordance with the statutory requirements in the Implementing Regulations of the Excise Tax Law, which results in the invalidity of the assessment procedures; the implication of this is: acceptance of the Appellant's appeal procedurally, and its rejection on the merits, and upholding the Resolution Circuit's decision while amending its grounds to align with what the Appeal Circuit concluded.

Document

- Paragraph (1) of Article (5) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Paragraph (6) of Article (17) of the Implementing Regulation of the Excise Tax Law, as amended by the Board of Directors of the Zakat, Tax and Customs Authority Resolution No. (23-1-13) dated 15 Rajab 1444 AH.

Facts:

Whereas the facts of this lawsuit have been stated in the appealed decision, the Appeal Circuit refers to it to avoid repetition. And whereas the Resolution Circuit's decision ruled there in the following:

First: Acceptance of the lawsuit procedurally.

Second: Annulment of the Defendant's decision subject of the lawsuit, regarding the imposition of tax differences for the periods subject of the lawsuit.

Third: Annulment of the Defendant's decision regarding the late payment penalties subject of the lawsuit.

And whereas this decision did not meet the Appellant's acceptance, it submitted an appeal brief to the Appeal Circuit containing its objection to the Resolution Circuit's decision which ruled to annul its decision regarding the tax differences and late payment penalties for the periods: (January, November, December) of the year 2021, in addition to: (January, March, April, May, June, July, August, October, November) of the year 2022. This is because the Authority's final assessment decision was issued on 12/12/2023, while the Appellee submitted the objection on 26/05/2024, making the difference in the number of days between the date of the Authority's decision and the date of the objection more than (60) days. The Appellant confirmed that the ticket recorded in the Resolution Committee's decision No. (TKT-0001018156) was processed on 21/01/2024; accordingly, the Appellee did not submit proof of the continued existence of the technical malfunction or proof of the inability to object before the Authority. The Appellant pointed out that the Plaintiff's statement of objection included more than one tax period; therefore, the lawsuit is considered not fulfilling the conditions of the lawsuit registration procedures, and it concluded by requesting the acceptance of the appeal and the annulment of the Resolution Circuit's decision.

On Monday, 21/11/1446 AH, corresponding to 19/05/2025 AD, at 02:57 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with the procedures of remote visual litigation; based on what is stated in Item No. (1) of Article Fifteen of the Rules of Operation for the Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal and the submitted memoranda and documents, the Circuit requested the Secretariat to task the parties with the following:

The two parties are requested to specify the names of the imported products and provide pictures of them.

The Authority is requested to submit the document in which the basis for calculating the tax was determined and the document proving the notification of the Appellee thereof, in accordance with Article 17(6) of the Implementing Regulations of the Excise Tax Law.

The Authority is requested to submit the document in which the basis for calculating the penalty was determined and the document proving the notification of the Appellee thereof, in accordance with Article 17(6) of the Implementing Regulations of the Excise Tax Law.

The Authority is requested to submit a written statement stating who determines the customs code for imported materials; is it Customs or the importer? And to submit the document proving that. This is to be within two weeks from its date. The session concluded at exactly 04:35 PM.

On Tuesday, 06/01/1447 AH, corresponding to 01/07/2025 AD, at 01:15 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with the procedures of remote visual litigation; based on what is stated in Item No. (1) of Article Fifteen of the Rules of Operation for the Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. By calling upon the parties to the lawsuit, there attended / (...), National ID No. (...) in her capacity as representative of the Appellant by virtue of Authorization No. (...) issued by the Vice Governor for Legal Affairs and Compliance at the Zakat, Tax and Customs Authority, and there attended / (...), National ID No. (...) in his capacity as owner of (...) Establishment by virtue of Commercial Register No. (...). After reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and upon asking the Appellant's representative about the appeal, she answered with nothing departing from what was previously stated in the appeal brief and adhered to what was stated therein, and added that if the Circuit requested further clarifications and inquiries, the Authority is ready to provide more. By presenting the appeal to the Appellee's representative, he answered with nothing departing from what was previously stated in the memorandum in response and adhered to what was stated therein. Upon the Circuit asking them what they wish to add, they decided to be satisfied with what was previously submitted; therefore, the Circuit decided to reserve the case for deliberation in preparation for issuing the decision.

Grounds

And whereas by reviewing the lawsuit documents and the submitted appeal brief, it became evident to the Circuit that the conditions for considering the appeal procedurally have been fulfilled in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; a matter with which the appeal request is procedurally acceptable for being submitted by a party with standing, and within the statutory period prescribed for its execution.

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 to annul the Appellant's decision regarding the tax differences and late payment penalties for the periods: (January, November, December) of the year 2021, in addition to: (January, March, April, May, June, July, August, October, November) of the year 2022. And whereas the Appellant objects to the Resolution Circuit's decision because the Authority's final assessment decision was issued on 12/12/2023, while the Appellee submitted the objection on 26/05/2024, making the difference in the number of days between the date of the Authority's decision and the date of the objection more than (60) days. The Appellant confirmed that the ticket recorded in the Resolution Committee's decision No. (TKT-0001018156) was processed on 21/01/2024; accordingly, the Appellee did not submit proof of the continued existence of the technical malfunction or proof of the inability to object before the Authority. The Appellant pointed out that the Plaintiff's statement of objection included more than one tax period; therefore, the lawsuit is considered not fulfilling the conditions of the lawsuit registration procedures.

And upon the Appeal Circuit's review of the lawsuit documents, and since it is established that the basis for calculating the tax was not proven, nor was the notification to the Appellee thereof proven, a matter which violates the content of Paragraph (6) of Article (17) of the Implementing Regulations of the Excise Tax Law, the text of which is: "The Authority shall notify the person obligated to pay the tax, by virtue of a written notice, of the due tax amount, provided that this notice includes the bases used by the Authority in its calculation of the due tax amount." With this, the Appeal Circuit concludes to reject the appeal on the merits, and uphold the Resolution Circuit's decision while amending its grounds to align with the grounds stated in this decision.

For these reasons and after deliberation, 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, and upholding the Resolution Circuit's decision with the amendment of its grounds in accordance with what is stated in the grounds.

Real Estate Transaction Tax

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

Decision No VA-2025-236408

Case No. V-2024-236408

Keywords:

Real Estate Transaction Tax – Acceptance of the Taxpayer's Appeal – Annulment of the Resolution Circuit's Decision – Compelling the Appellee to pay the Value Added Tax on the Real Estate Supply.

Summary:

The Appellant's appeal against the Appellee regarding his claim for the payment of the Value Added Tax amount resulting from a real estate supply, whereas the Resolution Circuit rejected the Appellant's lawsuit. Meanwhile, the Appeal Circuit relied on the fact that the general rule requires the buyer (the recipient of goods and services) to bear the tax burden as it is an indirect tax, and that the supply is subject to tax due to the supply value exceeding the mandatory registration threshold; the implication of this is: acceptance of the appeal procedurally and on the merits, annulment of the Resolution Circuit's decision, and obligating the Appellee to pay the amount of (51,750) Riyals in favor of the Appellant.

Document

- The Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Article (30) of the Unified Agreement for Value Added Tax for the Cooperation Council for the Arab States of the Gulf approved by Royal Decree No. M/51 dated 03/05/1438 AH.
- Article (14) of the Implementing Regulations of the Value Added Tax Law issued pursuant to the Board of Directors of the General Authority of Zakat and Tax Resolution No. (3839) dated 14 Dhu al-Hijjah 1438 AH.

Facts:

Whereas the facts of this lawsuit have been stated in the appealed decision, the Appeal Circuit refers to it to avoid repetition. And whereas the Resolution Circuit's decision ruled there in the following:

Rejection of the Plaintiff's lawsuit.

And whereas this decision did not meet the Appellant's acceptance, it submitted an appeal brief to the Appeal Circuit containing its objection to the Resolution Circuit's decision which ruled to reject his lawsuit regarding his claim to obligate the Appellee to pay the Value Added Tax amount resulting from the real estate supply subject of the lawsuit, due to his entitlement to collect the tax amount for the property subject of the tax supply as he bore the tax burden entirely towards the Zakat, Tax and Customs Authority exclusively, and it concluded by requesting the acceptance of the appeal and the annulment of the Resolution Circuit's decision.

On Tuesday, 12/08/1446 AH, corresponding to 11/02/2025 AD, at 12:40 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with the procedures of remote visual litigation; based on what is stated in Item No. (1) of Article Fifteen of the Rules of Operation for the Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. After reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and whereas the lawsuit is ready for adjudication in its current state, the Circuit decides to close the hearing of pleadings and reserve the case for judgment.

Grounds

And whereas by reviewing the lawsuit documents and the submitted appeal brief, it became evident to the Circuit that the conditions for considering the appeal procedurally have been fulfilled in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; a matter with which the appeal request is procedurally acceptable for being submitted by a party with standing, and within the statutory period prescribed for its execution.

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 to reject the Appellant's lawsuit regarding his claim to obligate the Appellee to pay the Value Added Tax amount resulting from the real estate supply subject of the lawsuit. And whereas the Appellant objects to the Resolution Circuit's decision due to his entitlement to collect the tax amount for the property subject of the tax supply as he bore the tax burden entirely towards the Zakat, Tax and Customs Authority exclusively. Upon reviewing the case file, it is established that the Appellant (...) claims Value Added Tax on 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 is (...) Company (the buyer). Accordingly, the Appellant's claim against the Appellee is valid, as the general rule dictates that the origin in bearing the burden of paying the tax as an indirect tax on what he receives of goods and services is the customer or buyer (the recipient of goods and services) except what is exempted by a specific text from paying the tax on what he receives of goods and services in accordance with specific cases provided in Article (30) of the Unified Agreement for Value Added Tax for the Cooperation Council for the Arab States of the Gulf. And whereas Article (14) of the Implementing Regulations of the Value Added Tax Law stipulated: "Without prejudice to Article 2 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 applies, and on the import of goods into the Kingdom." Since the supply was concluded under the application of Value Added Tax, and the value of the supply exceeded the mandatory registration threshold, and the seller was from the category mandated to register, the supply is considered subject to Value Added Tax, and accordingly the buyer is obligated to pay the tax in accordance with the Law.

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 Adjudication of Value Added Tax Violations and Disputes in Dammam No. (VD-2024-227430), and obligating / (...) Company, Commercial Register No. (...) to pay the amount of (51,750) fifty-one thousand seven hundred and fifty Riyals to the Appellant / (...), National ID No. (...), representing the Value Added Tax on 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-2025-246267

Case No. V-2024-246267

Keywords:

Real Estate Transaction Tax – Tax Refund – Rejection of the Taxpayer's Appeal – Affirmation of the Resolution Circuit's Decision.

Summary:

The Appellant's appeal against the Appellee regarding its objection to the rejection of the tax refund request for the fourth quarter period of the year 2023 AD, where the Resolution Circuit rejected the lawsuit on the grounds of failure to satisfy the statutory requirements relating to the existence of a partnership agreement, whereas the Appeal Circuit relied on the authenticated documents, contracts, and certificates from competent authorities submitted by the Appellant, which prove its fulfillment of the statutory requirements and the existence of an actual partnership qualifying it for a refund in accordance with the rules prescribed for real estate developers. The effect of this is; acceptance of the appeal procedurally and on the merits, Affirmation of the Resolution Circuit's Decision, and rejection of the appeal submitted by the Appellant.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Article (30) of the Implementing Regulations of the Value Added Tax Law, issued by Resolution of the Board of Directors of the General Authority of Zakat and Tax No. (3839) dated 14 Dhu al-Hijjah 1438 AH.

Facts:

Whereas the facts of this lawsuit have been set forth in the decision subject to appeal, the Appeal Circuit refers thereto to avoid repetition. Whereas the decision of the Resolution Circuit ruled as follows:

First: Acceptance of the lawsuit procedurally.

Second: On the Merits:

1- Recording the settlement of a dispute regarding the development of residential units (superstructure) for project (...) with a tax amounting to SAR (22,187.78).
2- Rejection of all other claims.

Whereas this decision did not meet with the Appellant's acceptance, it submitted an appeal brief to the Appeal Circuit containing its objection to the decision of the Resolution Circuit which ruled to reject its lawsuit regarding its claim for a Value Added Tax refund in the amount of SAR (43,590,244.60) for the fourth quarter of the year 2022 AD. This was on the grounds that the refund requests consist of two parts, namely: the infrastructure cost (land purchase value) and the superstructure cost (pertaining to the Appellant's private areas). Based on the rules and procedures for real estate developers, the Value Added Tax incurred on qualified projects is refunded, which are defined as projects that will be supplied as an exempt supply based on Article (30) of the Implementing Regulations of the Value Added Tax Law. The areas for which infrastructure was provided represent the cost of purchasing the land 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 Appellant's private areas in relation to project (...). With regard to project (...), the Appellee expanded its study of the project such that it tended toward exclusion based on the establishment of commercial entities and did not study the project according to the rules and procedures for qualified real estate developers entitled to a refund. Clause Sixth (c) of the Rules and Procedures for Real Estate Developers applies to it, and its application conditions require that it be a project designated for off-plan sale projects, having an issued off-plan sale license, a partnership agreement between the owner and the real estate developer, and a completed real estate transaction in favor of the real estate developer according to the Real Estate Transaction Tax Law and its Implementing Regulations. Moreover, the project is a development in partnership between it and (...) Company, an off-plan sale license has been 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; thereby, Clause Sixth (c) of the Rules and Procedures applies to it as a qualified project for refund. The Appellant concluded with a request to accept the appeal and annul the decision of the Resolution Circuit.

On Tuesday, dated 25/09/1446 AH, corresponding to 25/03/2025 AD, at 01:30 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its hearing in the presence of its members whose names are recorded above, via video conferencing in accordance with the remote litigation procedures; pursuant to what is stated in Clause No. (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. After reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and whereas the lawsuit is ripe for adjudication in its current state, the Circuit decided to close the pleadings and reserve the case for adjudication.

Grounds

And whereas by reviewing the lawsuit documents and the submitted appeal brief, it became evident to the Circuit that the conditions for considering the appeal procedurally have been fulfilled in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; a matter with which the appeal request is procedurally acceptable for being submitted by a party with standing, and within the statutory period prescribed for its execution.

On the merits, upon the Appeal Circuit's review of the lawsuit papers and examination of the documents and instruments contained therein, and after reviewing the memoranda and responses submitted by both parties, 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 the year 2022 AD. Whereas the Appellant objects to the decision of the Resolution Circuit on the grounds that the refund requests consist of two parts, namely: the infrastructure cost (land purchase value) and the superstructure cost (pertaining to the Appellant's private areas). Based on the rules and procedures for real estate developers, the Value Added Tax incurred on qualified projects is refunded, which are defined as projects that will be supplied as an exempt supply based on Article (30) of the Implementing Regulations of the Value Added Tax Law. The areas for which infrastructure was provided represent the cost of purchasing the land 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 Appellant's private areas in relation to project (...). With regard to project (...), the Appellee expanded its study of the project such that it tended toward exclusion based on the establishment of commercial entities and did not study the project according to the rules and procedures for qualified real estate developers entitled to a refund. Clause Sixth (c) of the Rules and Procedures for Real Estate Developers applies to it, and its application conditions require that it be a project designated for off-plan sale projects, having an issued off-plan sale license, a partnership agreement between the owner and the real estate developer, and a completed real estate transaction in favor of the real estate developer according to the Real Estate Transaction Tax Law and its Implementing Regulations. Moreover, the project is a development in partnership between it and (...) Company, an off-plan sale license has been 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; thereby, Clause Sixth (c) of the Rules and Procedures applies to it as a qualified project for refund. Since it is established that the decision subject to appeal regarding the dispute under consideration came in conformity with the provisions of the Law and with the cogent grounds upon which it was based and which are sufficient to support its judgment, as the circuit that issued it undertook the examination of the core of the dispute therein and concluded in respect thereof to the result it arrived at in its operative part, and whereas the Appeal Circuit did not observe in respect thereof anything requiring correction or comment in light of the defenses raised before this Circuit, it decides that they do not affect the outcome of the decision. Based on the foregoing, the Circuit concluded to reject the appeal and affirm the decision of the Resolution Circuit as to its conclusion, based on its underlying grounds.

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

Decision

First: Acceptance of the appeal submitted by / (...) Company, a closed joint-stock company, Commercial Registration No. (...), procedurally.

Second: Rejection of the appeal submitted by / (...) Company, a 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-2025-247527

Case No. V-2025-247527

Keywords:

Real Estate Transaction Tax – Tax Refund – Acceptance of the Taxpayer's Appeal – Annulment of the Resolution Circuit's Decision – Annulment of the Authority's Decision.

Summary:

The Appellant's appeal against the Appellee regarding a request for a Value Added Tax refund for the fiscal year 2022 AD. The Resolution Circuit had rejected the Appellant's lawsuit due to the insufficiency of the submitted documents. Conversely, the Appeal Circuit based its decision on the fact that the Appellant was proven to have exercised due diligence in submitting all documents via the approved technical channels, while the technical issue that prevented those documents from appearing before the Resolution Circuit was left unresolved. Consequently, the appeal is accepted procedurally and on merits, the Resolution Circuit's decision is annulled, and the lawsuit is remanded to another resolution circuit to consider it de novo in accordance with the grounds set forth herein.

Document

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

Facts:

Whereas the facts of this lawsuit have been stated in the appealed decision, the Appeal Circuit refers to it to avoid repetition. And whereas the Resolution Circuit's decision ruled there in the following:

First: Acceptance of the lawsuit procedurally.

Second: On the Merits: Rejection of the Plaintiff's lawsuit.

As this decision did not meet with the Appellant's acceptance, it filed an appeal brief with the Appeal Circuit containing its objection to the Resolution Circuit's decision, which had rejected its lawsuit regarding its objection to the Appellee's decision for partial acceptance of the tax refund for the fourth quarter of the year 2023 AD. The Appellant argued that a fundamental condition for issuing the license is the existence of a partnership agreement between the developer and the owner, pursuant to Article (6) of the Law on Sale and Lease of Off-Plan Real Estate Projects. Furthermore, Article (19) of the Implementing Regulations of the Law on Sale and Lease of Off-Plan Real Estate Projects stipulates the requirement of a partnership agreement between the developer and the title deed owner. Since the Appellant was granted the license as a result of satisfying the statutory requirements, which falls under the jurisdiction of the Real Estate General Authority (REGA), the Appellee lacks the authority to claim that such contracts are void. Moreover, the substance of these projects, based on the regulations issued by the Real Estate General Authority and the Ministry of Housing, represents a partnership. The Appellee does not possess the authority to restrict, annul, or weaken regulations issued by other government entities. The Appellant concluded by requesting the acceptance of the appeal and the annulment of the Resolution Circuit's decision.

On Wednesday, 29/12/1446 AH, corresponding to 25/06/2025 AD, at 02:56 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes convened its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures, pursuant to Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. After reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and whereas the lawsuit is ripe for adjudication in its current state, the Circuit decided to close the pleadings and reserve the case for adjudication.

Grounds

And whereas by reviewing the lawsuit documents and the submitted appeal brief, it became evident to the Circuit that the conditions for considering the appeal procedurally have been fulfilled in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; a matter with which the appeal request is procedurally acceptable for being submitted by a party with standing, and within the statutory period prescribed for its execution.

On the merits, upon the Appeal Circuit's review of the lawsuit papers and examination of the documents contained therein, and after reviewing the memoranda and responses submitted by both parties, it became evident to the Appeal Circuit that the decision issued by the Resolution Circuit ruled to reject the Appellant's lawsuit regarding its objection to the Appellee's decision for partial acceptance of the tax refund for the fourth quarter of the year 2023 AD. 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 pursuant to Article (6) of the Law on Sale and Lease of Off-Plan Real Estate Projects. Article (19) of the Implementing Regulations of the Law on Sale and Lease of Off-Plan Real Estate Projects also requires a partnership agreement between the developer and the title deed owner. Since the Appellant was granted the license upon satisfying the statutory requirements, which falls under the exclusive jurisdiction of the Real Estate General Authority, the Appellee has no authority to deem those contracts void. Furthermore, the substance of these projects under the regulations of the Real Estate General Authority and the Ministry of Housing represents a partnership, and the Appellee has no authority to restrict, annul, or weaken regulations issued by other government entities.

Upon the Appeal Circuit's review of the lawsuit documents, it was established that the ground for the Appellee's decision to partially reject the disputed amounts under the "Notice of Annulement of Review Request" was as follows: *"Pursuant to Clause (Sixth) of the Rules and Procedures for Licensed Real Estate Developers Eligible for Value Added Tax Refunds."* Regarding what was indicated in the Resolution Circuit's decision concerning the Taxpayer's failure to submit a set of documents, a review of the case file clarifies that the Appellant had indeed submitted the financial statements and a sample of purchase invoices along with proof of payment documents. This is particularly supported by the fact that the Authority's rejection decision was based on Paragraph (6/c) of the Rules and Procedures for Licensed Real Estate Developers Eligible for Value Added Tax Refunds, relying on the phrasing of the contracts, which contain provisions that—according to the Appellee's defense—prove they do not constitute a partnership. However, this is not deemed sufficient evidence that the contracts failed to meet statutory requirements.

Furthermore, the Appellant submitted the sale contract approved by the Off-Plan Sale or Lease Committee for the disputed projects, as well as a letter issued by the Real Estate General Authority regarding those projects. Although the Resolution Circuit noted that the letter was issued on the date of the audit, a review of the letter issued by the Real Estate General Authority for the disputed projects establishes the following:

- The "..." project obtained an off-plan sale license on 10/10/2018 AD, *after* the real estate developer, (...) Company, completed the statutory requirements, including the development agreement concluded between the real estate developer and the landowner in partnership between the two parties, which grants 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 Sale or Lease Committee.
- The "..." project obtained an off-plan sale license on 30/07/2018 AD, *after* the real estate developer, (...) Company, completed the statutory requirements, including the development agreement concluded between the real estate developer and the landowner in partnership between the two parties, which grants 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 Sale or Lease Committee.

- The "..." project obtained an off-plan sale license on 07/09/2022 AD, *after* the real estate developer, (...) Company, completed the statutory requirements, including the development agreement concluded between the real estate developer and the landowner in partnership between the two parties, which grants 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 Sale or Lease Committee.

Based on the above statement, which proves the Real Estate General Authority's acknowledgment that the Appellant obtained the off-plan sale license on a date *prior* to the disputed period, and that it obtained it after completing the statutory requirements—which include the existence of a development agreement concluded between the real estate developer and the landowner "in partnership" between the two parties—this constitutes evidence of an actual partnership. Consequently, the Appellant is eligible for the refund pursuant to Paragraph (c) of Clause (Sixth) of the Rules and Procedures for Licensed Real Estate Developers Eligible for Value Added Tax Refunds. Therefore, there is no merit in referencing the issuance date of the Real Estate General Authority's letter during the audit period, as the substance of the letter clarifies that the partnership is a prerequisite for obtaining the license, which was proven to be held by the Appellant prior to the disputed period. Accordingly, the Appeal Circuit concludes by Acceptance of the appeal relating to the Value Added Tax refund in the amount of SAR 827,577.97 (eight hundred twenty-seven thousand, five hundred seventy-seven Riyals and ninety-seven Halalas).

For these reasons and after statutory deliberation, 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. (...), relating to the Value Added Tax refund in the amount of SAR 827,577.97 (eight hundred twenty-seven thousand, five hundred seventy-seven Riyals and ninety-seven Halalas), Annulment of the decision of the First Circuit for the Resolution of Value Added Tax Violations and Disputes in Dammam City No. (VD-2024-242442), 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:

Real Estate Transaction Tax – Tax Refund – Acceptance of the Taxpayer's Appeal – Annulment of the Resolution Circuit's Decision and Remanding it to Another Resolution Circuit to Consider its Merits.

Summary:

The Appellant's appeal against the Appellee regarding the Value Added Tax refund request for the period from January 01, 2022 to December 31, 2022, whereas the Resolution Circuit rejected the Appellant's lawsuit due to the non-submission of the required documents. Meanwhile, the Appeal Circuit relied on the proven exertion of due diligence by the Appellant to submit the documents via the approved technical channels, and the proven existence of a technical malfunction that prevented their appearance before the Resolution Circuit; the implication of this is: acceptance of the appeal procedurally and on the merits, annulment of the Resolution Circuit's decision, and remanding the lawsuit to another resolution circuit to be considered anew in accordance with what is stated in the grounds.

Document

- The Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH.
- The Value Added Tax Law, issued by Royal Decree No. (M/113) dated 02/11/1438 AH.
- The Implementing Regulations of the Value Added Tax Law, issued by Decision of the Board of Directors of the General Authority of Zakat and Tax No. (3839) dated 14 Dhu al-Hijjah 1438 AH.

Facts:

Whereas the facts of this lawsuit have been stated in the appealed decision, the Appeal Circuit refers to it to avoid repetition. And whereas the Resolution Circuit's decision No. (VR-2024-202879) dated 06/02/2024 AD ruled therein the following:

Non-acceptance of the lawsuit procedurally for being filed by a person without standing.

Thereafter, the Appeal Circuit's Decision No. (VA-2024-233452) dated 24/10/2024 AD ruled as follows:

First: Acceptance of the appeal submitted by / (...) Company, Commercial Registration No. (...),procedurally for being submitted within the statutorily prescribed period.

Second: Acceptance of the appeal submitted by / (...) Company, Commercial Registration No. (...), on the merits, the annulment of the Decision of the First Circuit for the Resolution of Value Added Tax Violations and Disputes in Riyadh City No. (VR-2024-202879), and remanding the case to it for consideration in accordance with the explained grounds.

Subsequently, the Resolution Circuit's Decision No. (VR-2025-246259) dated 12/01/2025 AD ruled as follows:

First: Acceptance of the lawsuit procedurally.

Second: On the Merits: Rejection of the Plaintiff's lawsuit.

As this decision did not meet with the acceptance of the Appellant, it submitted an appeal brief to the Appeal Circuit containing its objection to the Resolution Circuit's decision which rejected its lawsuit regarding the refund request for the period from January 01, 2022, to December 31, 2022. The Appellant stated that it had submitted all the required documents, which did not appear in the system of the circuit that issued the decision subject to appeal. The Appellant pointed out that it satisfied all the conditions for refund except for the real estate transaction condition, and that this condition was subsequently fulfilled by the Zakat, Tax and Customs Authority based on the final judgment of possession in favor of the real estate developer. The Appellant emphasized its established right to the refund based on the rules and procedures included in the Decision of the Board of Directors of the Zakat, Tax and Customs Authority No. (22-04-15) dated June 19, 2022, and concluded by requesting the acceptance of the appeal.

On Wednesday, 07/01/1447 AH, corresponding to 02/07/2025 AD, at 03:22 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes convened its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH. Upon reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and whereas the case is ripe for adjudication in its current state, the Circuit decided to close the pleadings and reserve the case for adjudication.

Grounds

And whereas by reviewing the lawsuit documents and the submitted appeal brief, it became evident to the Circuit that the conditions for considering the appeal procedurally have been fulfilled in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; a matter with which the appeal request is procedurally acceptable for being submitted by a party with standing, and within the statutory period prescribed for its execution.

On the merits, upon the Appeal Circuit's review of the case papers and examination of the records and documents contained therein, and after reviewing the memoranda and responses submitted by both parties, it became evident to the Appeal Circuit that the decision issued by the Resolution Circuit ruled to reject the Appellant's lawsuit regarding the refund request for the period from January 01, 2022, to December 31, 2022. Whereas the Appellant objects to the Resolution Circuit's decision on the grounds that it submitted all the required documents, which did not appear in the system of the circuit that issued the decision subject to appeal. The Appellant noted that it satisfied all the conditions for refund except for the real estate transaction condition, which was later fulfilled by the Zakat, Tax and Customs Authority based on the final judgment of possession in favor of the real estate developer, emphasizing its established right to the refund based on the rules and procedures included in the Decision of the Board of Directors of the Zakat, Tax and Customs Authority No. (22-04-15) dated June 19, 2022.

Upon the Appeal Circuit's review of the case documents, and whereas it is established that the appealed decision of the Resolution Circuit concluded to reject the lawsuit due to the insufficiency of the submitted documents because the Appellant did not submit the documents requested from it on December 29, 2024, via the system, which consist of the following:

1. A real estate development license for the Plaintiff.
2. A real estate developer license for off-plan sales or leasing.
3. Proof that the real estate subject to the refund request is allocated to one of the off-plan sales or leasing projects.
4. Proof of the issuance of a decision by the Off-Plan Sales and Leasing Committee licensing one of the off-plan sales projects.
5. The partnership agreement between the developer and the person who owns the real estate.
6. Proof of disclosure of the transaction of the real estate subject to refund in favor of the real estate developer qualified for the refund—pursuant to the partnership agreement.

Whereas the Appellant pleads the existence of a technical glitch that prevented it from submitting the required documents, and pleaded that what appeared of the submitted documents was only one document related to real estate transactions; and whereas it has been proven to the Appeal Circuit that the Appellant exercised due diligence to submit the documents requested by the Resolution Circuit by submitting the documents via the CRM system under Ticket No. (...) dated 01/01/2025 AD and Ticket No. (...) dated 07/01/2025 AD; and whereas it is established that the hearing of the Resolution Circuit was held on 12/01/2025 AD; and whereas it has been proven that the issue regarding the non-appearance of the documents submitted by the Appellant was not resolved by the General Secretariat of Zakat, Tax and Customs Committees during the resolution stage. Based on the foregoing, the Appeal Circuit concludes with the operative part set forth below.

For these reasons and after statutory deliberation, 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 case to another resolution circuit to consider it in accordance with 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-2025-243535

Case No. V-2024-243535

Keywords:

Real Estate Transaction Tax – Rejection of the Taxpayers' appeals – Upholding the Resolution Circuit's decision.

Summary:

A mutual appeal between the two parties against the Resolution Circuit's decision regarding his claim against the Appellee (the Appellant) to pay an amount representing the Value Added Tax resulting from a real estate supply, whereas the Appellant argued the difficulty of issuing the invoice due to the transfer of the property's ownership directly to the buyer. Meanwhile, the Resolution Circuit ruled to reject the lawsuit as it was not based on a statutory ground requiring that, which the Appeal Circuit upheld due to the soundness of the relied-upon grounds, along with the non-acceptance of the Appellee's appeal as the preliminary judgment was issued in his favor; the implication of this is: acceptance of the Appellant's appeal procedurally and its rejection on the merits, and the non-acceptance of the Appellee's appeal due to the absence of his interest in objecting.

Document

- Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH.
- Value Added Tax Law, issued by Royal Decree No. (M/113) dated 02/11/1438 AH.
- Article (177) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH.

Facts:

Whereas the facts of this lawsuit have been stated in the appealed decision, the Appeal Circuit refers to it to avoid repetition. And whereas the Resolution Circuit's decision ruled there in the following:

Rejection of the Plaintiff's lawsuit.

And whereas this decision did not meet the acceptance of both parties, the Appellant (... Bank) submitted an appeal brief to the Appeal Circuit containing its objection to the Resolution Circuit's decision which ruled to reject its lawsuit regarding its claim to obligate the Appellee to pay an amount of eighty thousand Riyals representing the Value Added Tax resulting from the real estate supply subject of the lawsuit. This is because the property was not transferred into the Bank's name as it transferred it to the buyer immediately, so the Bank cannot issue an invoice while the property was not registered in its ownership, and it concluded by requesting the acceptance of the appeal and the annulment of the Resolution Circuit's decision.

Also, the Appellant (...) submitted an appeal brief to the Appeal Circuit, which the Circuit reviewed, and it contained his request to accept the appeal and annul the Resolution Circuit's decision.

On Tuesday, 24/10/1446 AH, corresponding to 22/04/2025 AD, at 02:37 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with the procedures of remote visual litigation; based on what is stated in Item No. (1) of Article Fifteen of the Rules of Operation for the Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. After reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, the Circuit accordingly decided to postpone the consideration of the lawsuit for further study. The session concluded at exactly 02:49 PM.

On Monday, 28/11/1446 AH, corresponding to 26/05/2025 AD, at 02:15 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with the procedures of remote visual litigation; based on what is stated in Item No. (1) of Article Fifteen of the Rules of Operation for the Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. After reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, the Circuit accordingly decided to postpone the consideration of the lawsuit for further study. The session concluded at exactly 02:32 PM.

On Sunday, 19/12/1446 AH, corresponding to 15/06/2025 AD, at 02:20 PM, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with the procedures of remote visual litigation; based on what is stated in Item No. (1) of Article Fifteen of the Rules of Operation for the Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. After reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and whereas the lawsuit is ready for adjudication in its current state, the Circuit decides to close the hearing of pleadings and reserve the case for judgment.

Grounds

And whereas by reviewing the lawsuit documents and the appeal brief submitted by (... Bank), it became evident to the Circuit that the conditions for considering the appeal request procedurally have been fulfilled in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; a matter with which the appeal request is procedurally acceptable for being submitted by a party with standing, and within the prescribed statutory period.

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 to reject the lawsuit of the Appellant (... Bank) regarding its claim to obligate the Appellee to pay an amount of eighty thousand Riyals representing the Value Added Tax resulting from the real estate supply subject of the lawsuit. This is because the property was not transferred into the Bank's name as it transferred it to the buyer immediately, so the Bank cannot issue an invoice while the property was not registered in its ownership. And whereas the Appellant objects to the Resolution Circuit's decision because the property was not transferred into the Bank's name as it transferred it to the buyer immediately, so the Bank cannot issue an invoice while the property was not registered in its ownership. 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 support its ruling, as the issuing Circuit undertook the scrutiny of the core of the dispute therein and concluded regarding it to the result it reached in its operative part. And whereas the Appeal Circuit did not notice regarding it anything necessitating correction or commentary in light of the submitted defenses raised before this Circuit, which leads it to conclude that they do not affect the result of the decision. Based on the foregoing, the Circuit concluded to rule the rejection of the appeal and upholding the Resolution Circuit's decision in what it concluded, carried upon its grounds.

Regarding the appeal submitted by (...), and whereas it is established that the Resolution Circuit's decision subject of the appeal was issued in favor of the Appellant, and whereas Article (177) of the Law of Civil Procedure stipulated: "An objection against a judgment may only be filed by the party against whom the judgment was issued, or the party whose requests were not fully granted, unless the Law stipulates otherwise," and whereas the appealed decision was not issued against the Appellant but was issued in his favor; accordingly, the Appellant may not object to the appealed decision. Based on the foregoing, the Appeal Circuit concludes the non-acceptance of the appeal.

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

Decision

First: Regarding the appeal of ... Bank, Commercial Registration No. (...):

Acceptance of the appeal procedurally.

Rejection of the appeal on the merits.

Second: Regarding the appeal of ..., National ID No. (...):

Non-acceptance of the appeal procedurally.

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

Decision No VA-2025-243235

Case No. V-2024-243235

Keywords:

Real Estate Transaction Tax – Acceptance of the Taxpayer's Appeal – Annulment of the Resolution Circuit's Decision – Annulment of the Authority's Decision – Compelling the Authority to Refund the Paid Tax Amount.

Summary:

The Taxpayer's appeal against the Zakat, Tax and Customs Authority regarding a request for a refund of Value Added Tax on purchases for the third quarter of the year 2022 AD. The Resolution Circuit had rejected the company's request due to insufficient documentation proving the payment of the invoices subject to the refund. Conversely, the Appeal Circuit relied on the accounting statements and transfer receipts submitted by the company, through which it established a direct link between the invoices and the actual financial payments in compliance with the procedural rules for real estate developers. Consequently, the appeal is accepted procedurally and on the merits, the decision of the Resolution Circuit is annulled, and the Authority is obligated to refund an amount of SAR 161,528.73 to the appellant company.

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.
- Unified Value Added Tax Agreement for the Cooperation Council for the Arab States of the Gulf, approved by Royal Decree No. (M/51) dated 03/05/1438 AH.

Facts:

Whereas the facts of this lawsuit have been stated in the appealed decision, the Appeal Circuit refers to it to avoid repetition. And whereas the Resolution Circuit's decision ruled there in the following:

First: Acceptance of the lawsuit procedurally.

Second: Rejection of the plaintiff's lawsuit on the merits.

Whereas this decision did not meet the acceptance of the appellant, it submitted an appeal brief to the Appeal Circuit containing its objection to the Resolution Circuit's decision, which ruled to reject its lawsuit regarding its claim for a refund related to the third quarter of the year 2022 AD. The appellant justified its objection by stating that it is customary in payment cases, specifically within the real estate development and contracting business, that a tax invoice is issued upon agreement and supply of goods, whereas the payment is made on credit terms, either in installments or in a lump sum. Since the excluded invoices for purchases relate to the supplier "(...) Company" with a total tax amount of SAR 161,528.73 (the excluded amount), the payment was made in several installments, and the appellant was unable to obtain all statements due to a dispute arising between it and the supplier client. Furthermore, it submitted the account statement extracted from the accounting system in addition to the payments, which are clearly related to the invoices, as evidenced by the proximity of time between the invoice dates and the payments made. Additionally, the issued invoices were fully paid according to the submitted statement along with the transfer receipts. The appellant concluded by requesting the acceptance of the appeal and the annulment of the Resolution Circuit's decision.

On Tuesday, 25/09/1446 AH, corresponding to 25/03/2025 AD, at 03:21, the First Appeal Circuit for Value Added Tax and Excise Tax Violations and Disputes convened its hearing in the presence of its members whose names are recorded in the minutes, via video conferencing in accordance with the remote litigation procedures; pursuant to the provisions of Paragraph (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. After reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and whereas the case is ripe for judgment in its current state, the Circuit decided to close the pleadings and reserve the case for adjudication.

Grounds

And whereas by reviewing the lawsuit documents and the submitted appeal brief, it became evident to the Circuit that the conditions for considering the appeal procedurally have been fulfilled in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; a matter with which the appeal request is procedurally acceptable for being submitted by a party with standing, and within the statutory period prescribed for its execution.

On the merits, upon the Appeal Circuit's review of the lawsuit papers and examination of the documents and vouchers contained therein, and after reviewing the memoranda and responses submitted by both parties, 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 refund related to the third quarter of the year 2022 AD. The appellant objects to the Resolution Circuit's decision on the grounds that it is customary in payment cases, specifically within the real estate development and contracting business, that a tax invoice is issued upon agreement and supply of goods, and the payment is made on credit terms via installments or in a lump sum. Since the excluded purchase invoices relate to the supplier "(...) Company" with a total tax of SAR 161,528.73 (the excluded amount), the payment was made in several installments, and the appellant was unable to obtain all statements due to a dispute between it and the supplier client. It also submitted the account statement extracted from the accounting system in addition to the payments that are clearly related to the invoices, as evidenced by the proximity of time between the invoice and the paid installments. Furthermore, the issued invoices were fully paid according to the submitted statement in addition to the transfer receipts. Upon the Appeal Circuit's review of the account statement submitted by the appellant for the period from 01/01/2022 AD to 26/09/2024 AD, and upon reviewing the payments related to the period subject of the lawsuit, which is the third quarter of the year 2022 AD, and by sampling the claimed invoices, it was found that an amount of SAR 60,000 inclusive of tax was paid for the invoice submitted by the appellant related to "Aluminum" No. (...), invoice No. (...), invoice No. (...), invoice No. (...), and invoice No. (...), according to the account statement where the payments were linked to the claimed invoices. By taking a sample of its invoices related to "Cladding" No. (00027), invoice No. (...), invoice No. (...), and invoice No. (...), it was found that they were paid with a total amount of SAR 9,677.25 inclusive of tax.

Whereas Item (11) of the Rules and Procedures Specific to Real Estate Developers stipulates: "When submitting a refund request, the qualified real estate developer must possess the books, records, and documents proving their entitlement to the refund, particularly the tax invoice related to the supply subject to the refund issued in the name of the qualified real estate developer, containing all details of the goods or services associated with the real estate subject to the refund request, in addition to the documents proving their payment of the tax subject to the refund. The qualified real estate developer may not claim a refund of tax paid under simplified tax invoices that do not bear the name of the qualified real estate developer." Whereas it is established to the Appeal Circuit that the appellant has proven its payment of the claimed invoices, in addition to what the statements contained regarding the invoice numbers and dates, and has linked the invoices with the claimed payments, which proves the validity of its claim to recover these invoices. Accordingly, the Appeal Circuit concludes by accepting the submitted appeal.

For these reasons and after deliberation, 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, and annulment of the decision of the Second Circuit for the Resolution of Value Added Tax Violations and Disputes in Riyadh City No. (VSR-2024-233231), annulment of the decision of the Zakat, Tax and Customs Authority, and Compelling the Zakat, Tax and Customs Authority to refund an amount of SAR 161,528.73 to the appellant, (...) Company, Commercial Registration No. (...).

Withholding Tax

Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Income Tax Violations and Disputes

Decision No IR-2025-235218

Case No. ZIW-2024-235218

Keywords:

Withholding Tax – Partial acceptance of the Authority's appeal – Rejection of the Taxpayer's appeal – Amendment of the Resolution Circuit's decision regarding withholding tax and late payment penalty.

Summary:

The mutual appeal of the two parties relating to the Zakat and tax assessment, whereas the objection centered on the Resolution Circuit's decision regarding the items of the statute of limitations, withholding tax, expense deductions, and adjustment of the Zakat base. The Taxpayer argued the lapse of the statutory period for the assessment and the lack of a basis for imposing the withholding tax, while the Administration adhered to the statutory nature of its procedures because the Taxpayer submitted returns containing incorrect information and its inability to prove the deduction of its expenses. And whereas the Appeal Circuit decided to address the merits due to the readiness of the case circumstances, and relied on the case file being devoid of any supporting documents and reconciliations justifying the reasons for deducting the hospitality expenses, foreign currencies, allowances, import differences, and accounts payable, while the partial validity of the Taxpayer's defenses was proven to it regarding some withholding amounts due to the non-occurrence of the actual payment event or to prove their local nature and statutory payment; the implication of this is: acceptance of both appeals procedurally, and on the merits, acceptance of the Administration's appeal regarding the statute of limitations and deductions items, and partial acceptance of the Taxpayer's appeal regarding the withholding tax item and amending 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.
- Income Tax Law issued by Royal Decree No. (M/1) dated 15/01/1425 AH.
- Paragraph (1) of Article (9) of the Implementing Regulations of the Income Tax Law issued by Ministerial Decision No. (1535) dated 11/06/1425 AH.

Facts:

And whereas this decision did not meet the Taxpayer's acceptance, it submitted an appeal against it, and this Circuit's decision was issued to remand the lawsuit to the Resolution Circuit to consider it on the merits by virtue of Decision No. (IR-2023-71376) dated 06/08/2023 AD. Subsequently, the Resolution Circuit's decision No. (IZD-2024-9692) dated 18/03/2024 AD was issued stating: "1- Annulment of the Defendant's decision regarding the statute of limitations item for the years from 2009 to 2013. 2- Inadmissibility of considering the withholding tax item for the years from 2009 to 2016 due to prior adjudication." Accordingly, the Circuit decided to resume consideration of the lawsuit, and the Taxpayer submitted an appeal brief containing a summary as follows:

Regarding the Taxpayer's appeal against the Resolution Circuit's decision, pertaining to the (Statute of limitations related to the withholding tax for the years from 2009 to 2013) item, the Taxpayer argued that the Authority did not provide any reason for imposing the withholding tax, based on Article (Sixty-Five) of the Income Tax Law. Regarding the (Withholding tax for the years from 2009 to 2016) item, the Taxpayer requests the annulment of the Circuit's decision regarding this item and states that the Authority assessed a withholding tax of (14.7) million Riyals without providing any basis for the assessment and how it calculated the tax, and submitted an analysis for all the years from 2009 to 2016.

The decision also did not meet the acceptance of the Zakat, Tax and Customs Authority, so it submitted its appeal against the objected decision by virtue of an appeal brief containing a summary as follows:

Regarding the Authority's appeal against the Resolution Circuit's decision, its appeal lies in the (Statute of limitations for the years from 2009 to 2013) item. The Authority appeals the Resolution Circuit's decision and clarifies that it conducted a reassessment based on a written consent from the Company, based on the Implementing Regulations for Zakat Collection which stipulated in Paragraph (8) of Article (Twenty-One) regarding the years from 2007 to 2016. As for the assessment for the year 2013, and whereas the period is from 01/01/2013 to 31/12/2013, and the final deadline to submit the return is 30/04/2014, the Authority states that the Resolution Circuit overlooked the assessment which was issued correctly and statutorily within the period, and took into account the assessment issued after the objection result on 08/05/2019, whereas the Authority assessed the Taxpayer on 20/11/2018. It states that it assessed the Taxpayer for the disputed years given that the submitted returns contained incorrect information, and also asserts that the provisions of Article (Twenty-One) of the Implementing Regulations for Zakat Collection apply to the assessment.

Regarding the following items: (Hospitality expenses for 2013), (Losses resulting from foreign currency conversion for 2013), (Other allowances for 2013), (Foreign purchases differences – imports for 2013), (Commercial accounts payable and dues to related parties for 2013), (Deductions from the Zakat base for 2013 at the value shown in the financial statements), (Depreciation and fixed assets differences for the years from 2013 to 2015), (Repair and maintenance expenses exceeding the allowable limit), (Received SMS messages for 2013), and (Net profit before tax), the Authority clarifies that the Circuit issuing the decision did not examine or discuss the above items in accordance with what the Appeal Circuit's decision concluded. Therefore, the Authority requests upholding its procedure and remanding the items for the disputed years to the Circuit issuing the decision to be considered on the merits.

On Monday, 30/06/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its session exactly at 09:00 AM in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with the procedures of remote visual litigation; based on what is stated in Item No. (1) of Article Fifteen of the Rules of Operation for the Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. By calling upon the litigants, there attended the Authority's representative / (...), (National ID No. ...), by virtue of an authorization issued by the Vice Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (...) dated 19/03/1445 AH. The Taxpayer or its representative did not attend despite the proven statutory notification to it of this session's appointment. Upon asking the Authority's representative what he wishes to add, he answered by adhering to what was previously submitted in this lawsuit. And whereas the lawsuit is ready for adjudication in its current state, and after closing the hearing of pleadings and deliberation:

Grounds

And whereas by reviewing the lawsuit documents and the submitted appeal brief, it became evident to the Circuit that the conditions for considering the appeal procedurally have been fulfilled in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; a matter with which the appeal request is procedurally acceptable for being submitted by a party with standing, and within the statutory period prescribed for its execution.

On the merits, and regarding the Authority's appeal concerning the item of (Lapse of the prescribed period for the years from 2009 to 2013): Whereas the Resolution Circuit previously issued Decision No. (IZD-2021-938) dated 27/07/2021 without exhausting its full jurisdiction by ruling on all of the Plaintiff's claims, as it failed to adjudicate the following items: (Hospitality expenses for the year 2013), (Foreign currency translation losses for the year 2013), (Other allowances for the year 2013), (Foreign purchases variances – imports for the year 2013), (Trade accounts payable and due to related parties for the year 2013), (Deductions from the Zakat base for the year 2013 at the value shown in the financial statements), (Received SMS charges for the year 2013), (Net profit before tax for the year 2013), and (The late payment penalty item). Whereas the Resolution Circuit did not exhaust its jurisdiction, the First Appeal Circuit for Income Tax Violations and Disputes issued Decision

No. (IR-2023-71376) dated 06/08/2023 in Lawsuit No. (ZIW-2021-71376), which ruled to accept the Authority's appeal, annul the decision of the Resolution Circuit, and remand the case to it.

Consequently, the Resolution Circuit issued Decision No. (IZD-2024-9692) dated 18/03/2024 in Lawsuit No. (ZIW-2019-9692), which ruled to: 1- Annul the Defendant's decision regarding the lapse of the prescribed period item for the years from 2009 to 2013. 2- Rule the inadmissibility of considering the withholding tax item for the years from 2009 to 2016 due to res judicata (prior adjudication).

Whereas the Authority filed its appeal against this decision in Lawsuit No. (ZIW-2024-235218) dated 23/04/2024; and whereas the Resolution Circuit's Decision No. (IZD-2024-9692) dated 18/03/2024 in Lawsuit No. (ZIW-2019-9692) concluded by upholding its previous decision, in addition to ruling the inadmissibility of considering the withholding tax item due to res judicata, it was mandatory for the Resolution Circuit to issue a comprehensive decision addressing all of the Authority's claims and adjudicating them on the merits so that it may fully exhaust its jurisdiction by issuing a decision encompassing all of the Authority's requests.

Whereas Paragraph (3) of Article (Thirty-Seven) of the Rules of Operation for Zakat, Tax, and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH, stipulates that: "3- If the Appeal Circuit decides to annul a decision issued by a Resolution Circuit ruling a lack of jurisdiction, or accepting a preliminary plea that resulted in barring the continuation of the lawsuit, or ruling the inadmissibility of considering the lawsuit due to res judicata, or due to the expiration of the statutory period, or Non-acceptance procedurally, or Non-acceptance of the lawsuit due to failure to specify the claims, it shall remand the case to the Resolution Circuit that issued the decision to consider the merits, unless the circumstances of the lawsuit render it ripe for adjudication, or the circumstances of the lawsuit require a prompt adjudication, or the subject matter has been settled by settled decisions or principles of the Appeal Circuits; in which cases it may adjudicate the merits without remanding the case."

Based on the foregoing, and whereas the decision subject of the appeal concluded that the case is inadmissible due to res judicata, and whereas this case falls within the scope of the aforementioned Article, and since the circumstances of the lawsuit render it ripe for adjudication, the Circuit decides to complete the consideration of the lawsuit. Accordingly, the Circuit concludes by accepting the Authority’s appeal and annulling the decision of the Resolution Circuit regarding the item of (Lapse of the prescribed period for the years from 2009 to 2013).

Regarding the Authority’s appeal concerning the item of (Disallowance of deducting hospitality expenses amounting to SAR 541,265 for the year 2013): Whereas Paragraph (1/A) of Article (Five) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, concerning deductible expenses, stipulates that: "All ordinary and necessary expenses required for the activity, whether paid or accrued, shall be deducted to arrive at the net profit of the activity, provided that the following criteria are met: A- The expense must be actual and supported by documentary evidence or other indicia enabling the Authority to verify its validity, even if it relates to previous years." Furthermore, pursuant to Paragraph (1) of Article (Nine) of the Implementing Regulations of the Income Tax Law, issued by Ministerial Resolution No. (1535) dated 11/06/1425 AH, which stipulates that: "Expenses that may be deducted to determine the taxable income are: 1- All ordinary and necessary expenses incurred to realize taxable income, whether paid or accrued, provided that the following criteria are met: A- The expense must be actual and supported by documentary evidence or other proof enabling the Authority to verify its validity. B- It must be related to the realization of taxable income. C- It must relate to the tax year. D- It must not be of a capital nature."

Based on the foregoing, the dispute between the two parties is conpenaltyd to the Taxpayer's objection to the Authority's disallowance of deducting hospitality expenses amounting to (541,265) Riyals on the grounds that they constitute entertainment expenses. The Taxpayer argued that the disputed expenses are hospitality and miscellaneous expenses, whereas the Authority countered that the Taxpayer failed to provide documentary evidence supporting the disputed expenses. Upon reviewing the case file, the Circuit found that the Taxpayer failed to submit the supporting documents as indicated in its statement of claim. Accordingly, the Circuit concludes by accepting the Authority's appeal and annulling the decision of the Resolution Circuit regarding the item of (Disallowance of deducting hospitality expenses amounting to SAR 541,265 for the year 2013).

Regarding the Authority's appeal concerning the item of (Disallowance of deducting foreign currency translation losses amounting to SAR 121,568 for the year 2013): Whereas Paragraph (1/A) of Article (Five) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution No. (2082) dated 01/06/1438 AH, stipulates that: "All ordinary and necessary expenses required for the activity, whether paid or accrued, shall be deducted to arrive at the net profit of the activity, provided that the following criteria are met: A- The expense must be actual and supported by documentary evidence or other indicia enabling the Authority to verify its validity, even if it relates to previous years." Furthermore, pursuant to Paragraph (1) of Article (Nine) of the Implementing Regulations of the Income Tax Law, issued by Ministerial Resolution No. (1535) dated 11/06/1425 AH, which stipulates that: "Expenses that may be deducted to determine the taxable income are: 1- All ordinary and necessary expenses incurred to realize taxable income, whether paid or accrued, provided that the following criteria are met: A- The expense must be actual and supported by documentary evidence or other proof enabling the Authority to verify its validity. B- It must be related to the realization of taxable income. C- It must relate to the tax year. D- It must not be of a capital nature."

Based on the foregoing, the dispute between the two parties is conpenaltyd to the Taxpayer's objection to the disallowance of deducting foreign currency translation losses amounting to (121,568) Riyals for the year 2013. Accordingly, whereas it is clear from the statutory provisions referenced above that expenses permissible for deduction from the base are those that are actually realized and supported by documentary evidence, and upon reviewing the case file, the Circuit noted that the Taxpayer failed to submit the supporting documents. Therefore, the Circuit concludes by accepting the Authority's appeal and annulling the decision of the Resolution Circuit regarding the item of (Disallowance of deducting foreign currency translation losses amounting to SAR 121,568 for the year 2013).

With respect to the Authority's appeal regarding the item of "other allowances amounting to SAR 2,349,196 for the year 2013 AD", whereas Paragraph (1/A) of Article (5) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution of the Minister of Finance No. (2082) dated 01/06/1438 AH, stipulates that: "All ordinary and necessary expenses required for the activity, whether paid or accrued, shall be deducted to arrive at the net result of the activity, provided that the following controls are met: A- The expense must be actual and supported by documentary evidence or other indicia that enable the Authority to verify its validity, even if it relates to prior years"; and pursuant to Paragraph (1) of Article (9) of the Implementing Regulations of the Income Tax Law, issued by Ministerial Resolution of the Minister of Finance No. (1535) dated 11/06/1425 AH, which stipulates that: "Expenses that may be deducted to determine the taxable income are: 1- All ordinary and necessary expenses incurred to realize taxable income, whether paid or accrued, provided that the following controls are met: A- The expense must be actual and supported by documentary evidence or other indicia of proof that enable the Authority to verify its validity. B- It must be related to the realization of taxable income. C- It must be related to the tax year. D- It must not be of a capital nature".

Based on the foregoing, the dispute between the two parties is conpenaltyd to the Taxpayer's objection to the non-deduction of salary expenses amounting to SAR 2,349,196 for the year 2013 AD, where the Authority argues that they were paid in consideration of work performed outside the country, while the Taxpayer demands the acceptance of deducting employee allowances as they were in consideration of work performed in the Kingdom of Saudi Arabia under the contractual agreement, and are considered a basic salary upon which social insurance contributions were paid. Upon the Circuit's review of the case file, it became evident that the supporting documents were not submitted by the Taxpayer. Accordingly, the Circuit concludes to accept the Authority's appeal and annul the decision of the Resolution Circuit regarding the item of "other allowances amounting to SAR 2,349,196 for the year 2013 AD".

With respect to the Authority's appeal regarding the item of "foreign purchases differences – imports amounting to SAR 1,889,398 for the year 2013 AD", whereas Paragraph (3) of Article (20) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution of the Minister of Finance No. (2082) dated 01/06/1438 AH, stipulates that: "The burden of proving the validity of the items and any other data contained in the Taxpayer's Zakat declaration lies with the Taxpayer. In the event that the Taxpayer is unable to prove the validity of what is stated in its declaration, the Authority may disallow the item whose validity has not been proven by the Taxpayer, or conduct 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"; and pursuant to

Paragraph (3) of Article (57) of the Implementing Regulations of the Income Tax Law, issued by Ministerial Resolution of the Minister of Finance No. (1535) dated 11/06/1425 AH, which stipulates that: "The burden of proving the validity of the revenues, expenses, and any other data contained in the Taxpayer's declaration lies with the Taxpayer. In the event that the Taxpayer is unable to prove the validity of what is stated in its declaration, the Department may, in addition to applying any other statutory Penalties, disallow the expense whose validity has not been proven by the Taxpayer or conduct 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".

Based on the foregoing, whereas the dispute lies in the Taxpayer's objection to the Authority's amendment of the adjusted profit by adding back the difference between the imports appearing in the customs statement and the imports declared in the submitted declaration, amounting to SAR 1,889,398, where the Taxpayer argues that the imports variance arose due to an equipment lease agreement and due to the import of consumables, while the Authority argued that the Taxpayer did not submit the documents supporting its point of view; and upon the Circuit's review of the case file, it became evident that the Taxpayer did not submit the necessary reconciliation to clarify the reasons and justifications for the imports variance, nor the supporting documents for its point of view referred to in the appeal statement. Accordingly, the Circuit concludes to accept the Authority's appeal and annul the decision of the Resolution Circuit regarding the item of "foreign purchases differences – imports amounting to SAR 1,889,398 for the year 2013 AD".

With respect to the Authority's appeal regarding the item of "trade accounts payable and dues to related parties for the year 2013 AD by adding an amount of SAR 2,954,844", whereas Paragraph (5) of Item (First) of Article (4) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution of the Minister of Finance No. (2082) dated 01/06/1438 AH, stipulates that: "The Zakat base consists of all of the Taxpayer's funds subject to Zakat, including: 5- Government and commercial loans and similar other sources of financing, such as creditors, notes payable, and bank overdraft balances owed by the Taxpayer, according to the following: A- Whatever remains thereof in cash and has completed one Zakat year (Al-Hawl). B- Whatever was used thereof to finance what is intended for acquisition. C- Whatever was used thereof in trade goods and has completed one Zakat year (Al-Hawl)"; and Paragraph (3) of Article (20) thereof also stipulates that: "The burden of proving the validity of the items and any other data contained in the Taxpayer's Zakat declaration lies with the Taxpayer. In the event that the Taxpayer is unable to prove the validity of what is stated in its declaration, the Authority may disallow the item whose validity has not been proven by the Taxpayer, or conduct 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".

Based on the foregoing, whereas the dispute lies in the Taxpayer's objection to the Authority's procedure consisting of adding the lower of the opening and closing balances of current payables to the Zakat base, where the Taxpayer argues that the added balances did not complete one Zakat year (Al-Hawl), while the Authority states that all the added amounts have completed one Zakat year (Al-Hawl); and upon the Circuit's review of the case file, it became evident that the Taxpayer failed to submit the supporting documents to prove that the contested amounts did not complete one Zakat year (Al-Hawl). Therefore, and whereas trade payables and dues are considered a component of the Zakat base provided that they have completed one Zakat year (Al-Hawl) or were used to finance assets deducted from the base; accordingly, the Circuit concludes to accept the Authority's appeal and annul the decision of the Resolution Circuit regarding the item of "trade accounts payable and dues to related parties for the year 2013 AD by adding an amount of SAR 2,954,844".

With respect to the Authority's appeal regarding the item of "deductions from the Zakat base for the year 2013 AD at the value appearing in the financial statements, amounting to SAR 342,330", whereas Paragraph (3) of Article (20) of the Implementing Regulations for Zakat Collection, issued by Ministerial Resolution of the Minister of Finance No. (2082) dated 01/06/1438 AH, stipulates that: "The burden of proving the validity of the items and any other data contained in the Taxpayer's Zakat declaration lies with the Taxpayer. In the event that the Taxpayer is unable to prove the validity of what is stated in its declaration, the Authority may disallow the item whose validity has not been proven by the Taxpayer, or conduct 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".

Based on the foregoing, whereas the dispute lies in the deduction of fixed assets from the Zakat base at the value appearing in the financial statements, amounting to SAR 342,330; and upon the Circuit's review of the case file, it became evident that the Taxpayer did not submit the supporting documents. Therefore, and since the Authority affirmed that it has taken into consideration all the criteria ensuring the correctness of its calculation for the deductions, the Circuit concludes to accept the Authority's appeal and annul the decision of the Resolution Circuit regarding the item of "deductions from the Zakat base for the year 2013 AD at the value appearing in the financial statements, amounting to SAR 342,330".

With respect to the Taxpayer's appeal regarding the item of "withholding tax for the years from 2009 AD to 2013 AD", whereas Paragraph (A) of Article (68) of the Income Tax Law, issued by Royal Decree No. (M/1) dated 15/1/1425 AH, stipulates that: "Every resident, whether a taxpayer or not under this Law, and a permanent establishment in the Kingdom of a non-resident, who pays 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 Paragraph (3) of Article (57) of the Implementing Regulations of the Income Tax Law, issued by Ministerial Resolution of the Minister of Finance No. (1535) dated 11/06/1425 AH, stipulates that: "The burden of proving the validity of the revenues, expenses, and any other data contained in the Taxpayer's declaration lies with the Taxpayer. In the event that the Taxpayer is unable to prove the validity of what is stated in its declaration, the Department may, in addition to applying any other statutory Penalties, disallow the expense whose validity has not been proven by the Taxpayer or conduct 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".

Based on the foregoing, whereas the dispute lies in the imposition of withholding tax for the years from 2009 AD to 2016 AD; first: with respect to the year 2009 AD, the Circuit notes the following: 1- An amount of SAR 302,487: Upon reviewing the summary of transactions with (...) Company, it became evident to the Circuit that the amount of SAR 207,549 was included within technical fees but was not paid, as the amount paid to (...) Company during the period represents lease fees. Consequently, the Taxpayer's point of view is valid regarding the non-subjection of SAR 207,549 to withholding tax due to the non-occurrence of the payment transaction. As for the amount of SAR 94,938, the Taxpayer did not submit proof that it constitutes local expenses. 2- An amount of SAR 958,500: Upon reviewing the summary of transactions with (...) Company, it became evident to the Circuit that the amount was included within lease fees as stated by the Taxpayer. Furthermore, it submitted the withholding tax declaration for the year 2010 AD, and it became evident that it paid the due tax amounting to SAR 47,925 in three installments exceeding the due value, as the amount paid for the aforementioned sum was SAR 48,370. The Taxpayer submitted the payment receipts from (...) banks in the amounts of SAR 16,242, SAR 19,979, and SAR 12,129, which establishes the validity of the Taxpayer's point of view. 3- An amount of SAR 1,053,438: This item consists of airline tickets, regarding which the Taxpayer states that there is a material error in calculation as the amount was double-counted once within the amount of SAR 94,938 and once within the SAR 958,500 mentioned above. Upon reviewing the case file...

It was revealed that the Taxpayer did not provide any documentation confirming the occurrence of duplication in the amounts as claimed. As for the amount of SAR (207,549) relating to services paid to related companies, it became evident to the Circuit that the Authority duplicated its calculation as services paid to (...) Company, which calculated tax at a rate of (15%), despite the fact that (...) Company is a non-related party, as it was established that the foreign partner's share is less than (50%) pursuant to the Articles of Association of the Appellant Company. This clarifies the invalidity of the Authority's action in duplicating the addition of the amount and calculating a rate higher than what is due. Furthermore, it was proven that the amount was not paid to (...) Company, which demonstrates the validity of the Taxpayer's argument.

Regarding the year 2010 AD, the Circuit found the following: An amount of SAR (2,124,291) consisting of rent amounting to SAR (1,365,375) and technical and advisory services amounting to SAR (758,916). Upon the Circuit's review of the summary of transactions with (...) Company and the general ledger of the company's account, it became evident that no payments were made to (...) Company for the aforementioned amounts, which demonstrates the correctness of the Taxpayer's argument that withholding tax should not be imposed due to the non-occurrence of a payment transaction.

Regarding the year 2011 AD, the Circuit found the following: 1- An amount of SAR (4,122,939) consisting of lease fees for (...) Company. Upon the Circuit's review of the summary of transactions and the general ledger of (...) Company, it was found that the amount was not paid to the company, which demonstrates the correctness of the Taxpayer's argument that withholding tax should not be imposed. 2- An amount of SAR (2,136,173) consisting of technical and advisory services. Whereas it was established that (...) Company is a non-related party and that the provided services are subject to a (5%) tax, it became evident that the amounts were not paid to (...) Company; therefore, there is no tax due.

Regarding the year 2012 AD, the Circuit found the following: 1- An amount of SAR (1,530,669) consisting of lease fees for (...) Company. Upon the Circuit's review of the summary of transactions and the general ledger of (...) Company, it was found that the amount was not paid to the company, which demonstrates the correctness of the Taxpayer's argument that a withholding tax penalty should not be imposed. 2- An amount of SAR (3,317,699) consisting of technical and advisory services. Whereas it was established that (...) Company is a non-related party and that the provided services are subject to a (5%) tax, it became evident that the amounts were not paid to (...) Company; therefore, there is no tax due. 3- An amount of SAR (27,650,308) consisting of payments to local companies and establishments and other local costs. Upon the Circuit's review of the case file, it became evident that the Taxpayer submitted an analytical statement detailing the entire amount, which represents costs incurred in the (...) project. It provided an analytical statement for each amount as follows: employees' salaries, wages, allowances, and other benefits: SAR (12,856,047); consumables and materials: SAR (6,431,903); vehicle operating costs and machinery rental and operation: SAR (2,430,895); camp costs and housing costs: SAR (1,373,295); hiring labor from local suppliers: SAR (1,407,315); and utilities and other costs: SAR (3,150,853). It also submitted a sample of payment invoices through which the validity of its defense—that these are local costs and were not paid to an external party—was demonstrated. Furthermore, when the Authority imposed the tax on the amount under the pretext that it was paid to a foreign entity, it imposed a withholding tax at a rate of (15%) on the grounds of it being a related party, despite it being evident from the Articles of Association that (...) Company is a non-related party.

Regarding the year 2013 AD, the Circuit found the following: An amount of SAR (3,218,280). Upon the Circuit's review of the summary of transactions and the general ledger of (...) Company, it was found that the amount was not paid to the company, which demonstrates the correctness of the Taxpayer's argument that withholding tax should not be imposed.

Regarding the year 2014 AD, the Circuit found the following: 1- An amount of SAR (17,758,521) consisting of equipment rental, a portion of which amounting to SAR (15,418,521) represents outstanding unpaid dues to (...) Company; therefore, no withholding tax is due thereon, as was established to the Circuit upon reviewing the general ledger of (...) Company. As for the remaining amount, upon the Circuit's review of the declarations for the years 2014 AD and 2015 AD, it was found that the Taxpayer paid withholding tax on an amount of SAR

(390,000) in the year 2014 AD, and an amount of SAR (1,325,812) in the year 2015 AD. The remaining balance due to (...) Company, amounting to SAR (624,188), has not been paid, as it was stated that the Dutch company did not comply with the contract. 2- An amount of SAR (1,577,319) consisting of technical services. The Taxpayer stated that a portion thereof amounting to SAR (648,081) was paid to (...) Company and the tax due thereon was paid in the year 2014 AD. Upon the Circuit's review of the withholding tax declaration for the year 2014 AD, the Taxpayer's defense was proven correct, as the payment of tax amounting to SAR (32,404) was verified for the above amount to the company in the UAE. As for the remaining amount of SAR (929,238), it is claimed to be unpaid outstanding dues to (...) Company. Upon the Circuit's review of the summary of transactions with (...) Company and the general ledger, it was found that it did not include the amount of SAR (929,238) which the Taxpayer claims is due to (...) Company. Accordingly, the invalidity of the Taxpayer's defenses is established, leading the Circuit to reject its request. 3- An amount of SAR (813,742) consisting of loan returns. Upon the Circuit's review of the declarations for the years 2014 AD and 2015 AD, it became evident that the withholding tax on loan returns paid to (...) Bank was settled, which demonstrates the correctness of the Taxpayer’s defense. 4- An amount of SAR (14,927,180) consisting of other payments. The Taxpayer argued that a portion thereof amounting to SAR (4,151,250) represents outstanding dues paid to (...) Company, which is a local company registered with the Authority. Upon review, the Circuit found that the Taxpayer submitted the registration certificate of (...) Company with the Authority under Taxpayer Identification Number (...); however, it became evident that the submitted certificate was issued in the year 2020 AD, whereas the transfer took place in the year 2014 AD, and the Taxpayer did not provide transfer receipts proving that the transaction was an internal transfer. As for the remaining amount of SAR (10,775,930), it is stated to be outstanding due to (...) Company. Upon the Circuit's review of the general ledger and the summary of transactions, the correctness of its defense was established, showing that the Taxpayer owes (...) Company for sub-contracting and that it has not been settled; therefore, no tax is due thereon due to the non-occurrence of a payment transaction.

Regarding the year 2015 AD, the Circuit found the following: 1- An amount of SAR (119,663) consisting of technical services due to (...) Company that have not been settled. Upon the Circuit's review of the general ledger and the summary of transactions, the invalidity of its argument was established, as the existence of an outstanding amount due to (...) Company for the said sum was not verified under technical services. Accordingly, the invalidity of the Taxpayer's defenses is established, leading the Circuit to reject the Taxpayer's objection. 2- An amount of SAR (292,030) consisting of technical services. Upon the Circuit's review of the withholding tax declaration for the year 2015 AD, it became evident that the technical services for which withholding tax was paid to (...) Company exceed the amount under dispute, as the paid withholding tax amounted to SAR (71,979), which demonstrates the correctness of the Taxpayer's argument. 3- An amount of SAR (5,034,080) consisting of loan returns. The Taxpayer states that the portion amounting to SAR (1,861,808) was paid to (...) Bank, which is a local bank. Upon the Circuit's review of the case file, it was found that the

Taxpayer submitted an agreement with (...) Bank in the year 2012 AD for banking facilities, without providing a payment receipt for the above-mentioned amount to verify the validity of its defenses, leading the Circuit to reject the Taxpayer's objection. Regarding the remaining amount, it states that SAR (1,708,924) was paid to (...) Bank and tax was paid thereon. Upon reviewing the declaration for the year 2015 AD, the correctness of the Taxpayer's defense was established, as the payment of withholding tax on the said amount was verified. As for the amount of SAR (1,117,985), which the Taxpayer indicated represents interest paid to (...) Company in the year 2018 AD and was settled in 2018; upon the Circuit's review of the declaration for the year 2018 AD, it found withholding tax payments for loan returns to (...) Company that exceed the amount under dispute, which demonstrates the correctness of the Taxpayer's argument. Regarding the remaining amount of SAR (345,363), which the Taxpayer states consists of local payments, upon the Circuit's review of the case file, it became evident that the Taxpayer did not provide supporting documentation to corroborate this.

Regarding the year 2016 AD, the Circuit found the following: 1- An amount of SAR (71,240) consisting of technical services due to (...) Company that were not settled in 2016 AD, but were instead settled in the year 2017 AD and the tax due thereon was paid. Upon the Circuit's review of the declaration for the year 2017 AD, the correctness of the Taxpayer's defense was established, as the payment of tax on the said amount was verified. 2- An amount of SAR (103,076,277). Upon the Circuit's review of the case file, it became evident that the Taxpayer submitted a schedule of rentals and equipment for the years from 2009 AD to 2016 AD. It also submitted Schedule No. (5) from the declaration submitted to the Authority concerning the lease of machinery and equipment for the years from 2009 AD to 2016 AD. It was found that the equipment rental cost from (...) for the years from 2009 AD to 2016 AD amounts to SAR (30,442,733), and for the year 2016 AD amounts to SAR (591,060). Accordingly, the invalidity of the Authority's procedure in calculating the equipment rental cost for the year 2016 AD at an amount of SAR (103,076,277) is established.

Consequent to the foregoing, the Circuit concludes to partially accept the Taxpayer's appeal and revokes the decision of the Resolution Circuit regarding the item of (Withholding Tax for the years from 2009 AD to 2013 AD).

With regard to the item of the "late payment penalty", and whereas Paragraph (A) of Article (Seventy-Seven) of the Income Tax Law, enacted by Royal Decree No. (M/1) dated 15/01/1425 AH, stipulates that: "In addition to the Penalties provided for in Article Seventy-Six of this Law and in Paragraph (B) of this Article, the taxpayer shall pay a late payment penalty at the rate of one percent (1%) of the unpaid tax for every thirty days of delay. This includes delay in paying the tax required to be withheld and accelerated payments. It shall be calculated from the tax due date until the date of payment."

Furthermore, pursuant to Paragraph (1) of Article (Sixty-Eight) of the Implementing Regulations of the Income Tax Law, issued by Ministerial Resolution No. (1535) dated 11/06/1425 AH, which stipulates that: "There shall be added to the Penalties provided for in the preceding Article 1% of the unpaid tax for every thirty days of delay in the following cases: B- Delay in paying the tax due under an assessment by the Authority."

Pursuant also to Paragraph (3) of Article (Sixty-Seven) thereof, which provides that: "Unpaid tax means the difference between what the taxpayer paid by the statutory due date and the tax due to be paid under the provisions of the Law. This includes modifications made by the Department which have become final as provided for in Paragraph (2) of Article Seventy-One of these Regulations, including contested cases, where the penalty is calculated from the statutory due date for filing the declaration and payment."

Based on the foregoing, and whereas the late payment penalty is calculated from the date of the expiration of the period specified for filing the declaration until the date of payment of the due tax arising from the application of the provisions of the Law and the modifications made by the Authority; and pursuant to the Islamic jurisprudential maxim "the dependent follows the principal", the Circuit hereby concludes to modify the decision of the Resolution Circuit regarding the appeal of both parties on the item of the "late payment penalty", by imposing the late payment penalty from the due date on the items where the taxpayer's appeal was rejected, and the forfeiture of the late payment penalty on the items where the Authority's procedure was annulled due to the forfeiture of the principal tax imposition.

Whereas, regarding the appeal of the taxpayer and the Authority concerning the remaining items subject of the lawsuit; and whereas there is no fault upon the Circuit in adopting the grounds of the decision subject to challenge without adding thereto, whenever it deems that such grounds suffice to obviate the introduction of any new reasoning. This is because by upholding it based on the grounds contained therein, it is confirmed that the Circuit did not find anything in the challenges directed against the decision that merits a response beyond what was encompassed in those grounds.

As that is the case, and as it is established that the decision subject to appeal regarding the dispute over the challenged items came in conformity with the sound grounds upon which it was built and which are sufficient to support its judgment—since the circuit that issued it undertook the scrutiny of the core of the dispute therein and concluded in its regard to the result reached in its operative part—and since this Circuit did not note anything requiring rectification or comment in light of the defenses raised before it, this Circuit concludes to reject the appeal of both parties (the taxpayer and the Authority) and to uphold the decision of the appealed Resolution Circuit regarding the conclusion it reached for the remaining items subject of the lawsuit, based on its underlying grounds.

Based on the foregoing, and concomitantly with the aforementioned grounds, the Circuit has unanimously decided as follows:

Decision

First: Acceptance of the appeal procedurally, submitted by the taxpayer / (...) Company, Commercial Registration No. (...), Taxpayer Identification Number (...), and the appeal submitted by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Resolution of Income Tax Violations and Disputes in Dammam City No. (IZD-2024-9692) issued in Lawsuit No. (ZIW-2019-9692) relating to the Zakat and tax assessment for the years from 2009 AD to 2016 AD.

Second: On the Merits:

1. Acceptance of the Authority's appeal and annulment of the decision of the Resolution Circuit regarding the item of (lapse of the prescribed period for the years from 2009 AD to 2013 AD).
2. Acceptance of the Authority's appeal and annulment of the decision of the Resolution Circuit regarding the item of (disallowance of hospitality expenses in the amount of SAR 541,265 for the year 2013 AD).
3. Acceptance of the Authority's appeal and annulment of the decision of the Resolution Circuit regarding the item of (disallowance of foreign currency translation losses in the amount of SAR 121,568 for the year 2013 AD).
4. Acceptance of the Authority's appeal and annulment of the decision of the Resolution Circuit regarding the item of (other allowances amounting to SAR 2,349,196 for the year 2013 AD).
5. Acceptance of the Authority's appeal and annulment of the decision of the Resolution Circuit regarding the item of (foreign purchases variances – imports in the amount of SAR 1,889,398 for the year 2013 AD).
6. Acceptance of the Authority's appeal and annulment of the decision of the Resolution Circuit regarding the item of (trade accounts payable and due to related parties for the year 2013 AD by adding an amount of SAR 2,954,844).
7. Acceptance of the Authority's appeal and annulment of the decision of the Resolution Circuit regarding the item of (deductions from the Zakat base for the year 2013 AD at the value stated in the financial statements amounting to SAR 342,330).
8. Rejection of the taxpayer's appeal and upholding the decision of the Resolution Circuit regarding the item of (lapse of the prescribed period associated with withholding tax for the years from 2009 AD to 2013 AD).
9. Partial acceptance of the taxpayer's appeal and amendment of the decision of the Resolution Circuit regarding the item of (withholding tax for the years from 2009 AD to 2013 AD).
10. Rejection of the Authority's appeal and upholding the decision of the Resolution Circuit regarding the item of (depreciation variances and fixed assets for the years from 2013 AD to 2015 AD).

11. Rejection of the Authority's appeal and upholding the decision of the Resolution Circuit regarding the item of (repair and maintenance expenses exceeding the allowable limit).
12. Amendment of the decision of the Resolution Circuit regarding the appeal of both parties on the item of (late payment penalty).

Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Income Tax Violations and Disputes

Decision No IR-2025-242551

Case No. W-2024-242551

Keywords:

Withholding Tax – Acceptance of the Authority's Appeal – Rejection of the Taxpayer's Appeal – Annulment of the Decision of the Resolution Circuit regarding (withholding tax paid on all amounts actually paid to non-resident entities) – Upholding the Resolution Circuit's decision in all other respects.

Summary:

Both parties' appeals concerning income tax, where the objection focused on the Decision of the Resolution Circuit regarding withholding tax assessments and late payment penalties for the years 2015 to 2018. The taxpayer pleaded its entitlement to apply a 5% rate instead of 15% pursuant to the double taxation avoidance agreements. Meanwhile, the Administration objected to the error in the Resolution Circuit's resolution, which established the resolution of the dispute regarding a specific amount and deemed it an acceptance of the taxpayer's requests; the Administration asserted that said amount represents the remainder under the item of related parties subject to the 15% rate, due to the established control relationship and equal voting rights under the Articles of Association. Whereas the Appeal Circuit relied on the validity of the Administration's defenses regarding the absence of evidence proving the resolution of the dispute, and that the referred amount constitutes the core of the existing dispute, with the established merit of subjecting the payments to the higher rate due to the presence of control; and while affirming the Resolution Circuit's resolution in rejecting the taxpayer's appeal and the late payment penalties, the holding thereof is as follows: acceptance of both appeals procedurally; and on the merits, Rejection of the taxpayer's appeal, acceptance of the Administration's appeal, and annulment of the Decision of the Resolution Circuit regarding the item of amounts paid for withholding tax.

Document

- The Rules of Operation for Zakat, Tax and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH.
- The Income Tax Law, issued by Royal Decree No. (M/1) dated 15/01/1425 AH.

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

Facts:

This is for the purpose of reviewing the appeal submitted on 16/09/2024 AD by / (...), Resident ID No. (...), in his capacity as the statutory representative of the appellant company pursuant to its Articles of Association; and the appeal submitted by the Zakat, Tax and Customs Authority on 17/09/2024 AD against the decision of the First Resolution Circuit for Income Tax Violations and Disputes in Riyadh City, bearing No. (IFR-2024-225655), issued in Lawsuit No. (W-225655-2023) concerning withholding tax for the years 2015, 2016, and 2018, in the case filed by the taxpayer against the Zakat, Tax and Customs Authority, the decision of the Resolution Circuit of which ruled as follows:

First: Recording the settlement of the dispute of the plaintiff/ (...) Company, (Tax Identification Number ...) with the defendant/ the Zakat, Tax and Customs Authority, concerning the amounts paid for withholding tax on all amounts actually paid to non-resident entities, totaling an amount of (720,673) seven hundred twenty thousand, six hundred seventy-three Riyals for the years from 2015 to 2018, by virtue of the defendant's partial acceptance of the plaintiff's requests in this regard.

Second: Amending the measure taken by the defendant/ the Zakat, Tax and Customs Authority, against the plaintiff/ (...) Company, (Tax Identification Number ...), concerning the late payment penalty subject matter of the case, in accordance with what is clarified in the merits.

Third: Rejection of all other objections of the plaintiff/ (...) Company, (Tax Identification Number ...), concerning the assessments subject matter of the case.

Whereas the Resolution Circuit issued its aforementioned decision and reviewed the case anew as a result of the decision of this Circuit, bearing No. (IR-2023-142695) issued on 20/09/2023 AD, which provided for the remand of the case to the Resolution Circuit to review it on the merits; and accordingly, the Circuit decided to complete the review of the case; and whereas this decision did not meet the acceptance of the taxpayer, it submitted an appeal brief, which the Circuit has reviewed, and which included the taxpayer's demand to accept its appeal and overturn the decision of the Resolution Circuit regarding the items subject matter of the appeal for the reasons set forth above.

Furthermore, the decision did not meet the acceptance of the Zakat, Tax and Customs Authority; hence, it submitted its appeal against the contested decision pursuant to an appeal brief, which included in summary that the Circuit that issued the decision subject matter of the appeal ruled to establish the resolution of the plaintiff's dispute with the defendant, the Zakat, Tax and Customs Authority, concerning the amounts paid for withholding tax on all amounts actually paid to non-resident entities, totaling an amount of (720,673), reasoning that the Authority accepted the plaintiff's requests in accordance with the statement of defense submitted by it. The Authority responds to this by stating that the amount stated in that establishment is incorrect (720,637) Riyals, as that amount is the remaining amount due from the taxpayer for other items, in accordance with the breakdown set forth in the Authority's statement of defense No. (1). The Authority shall restate that breakdown. The Authority also informs the Circuit that it subjected the amounts paid to non-resident related entities to tax as connected entities, represented by (Company ..., ..., ..., ..., ..., ..., and ...), at a rate of (15%), as the amounts paid to those entities were included within the schedules of subcontractors and professional fees attached to the tax and Zakat declarations for the years from 2015 to 2018, pursuant to Article (68) of the Income Tax Law and Article (63) of the Implementing Regulations of the Income Tax Law, whereby the following became evident: - The management of the company is undertaken by a Board of Directors consisting of 4 persons, where each partner appoints two (2) directors. - The Board of Directors appoints a Chairman of the Board, who shall be selected from the First Party (Company ...) from among its appointed directors on the Board. - The Board of Directors appoints the General Manager, who shall be nominated by the Second Party (Company ...). - Resolutions: Each director on the Board of Directors shall have one vote when voting on the resolutions of the Board. This means that the voting rights of both partners are equal (50%) for each party; consequently, what is stated in Paragraph (2), Item (c) of Article (64) of the Income Tax Law applies thereto, which provides that: "With respect to capital companies, control means ownership of voting rights therein or ownership of its value directly or indirectly through a subsidiary company or companies of any type." Based on the foregoing, the Authority rejected the objection regarding subjecting the amounts paid to related parties to withholding tax at a rate of (15%) as connected entities according to Article (11) of its Articles of Association concerning the management of the company, and partially accepted the plaintiff's objection regarding the amounts paid for withholding tax on all amounts actually paid to non-resident entities; accordingly, the value of the item is as follows:

Based on the foregoing, it appears to you that the amount of (720,673) Riyals is the remaining amount due on the items that the Authority did not accept (excluding penalties), and not as stated in the decision of the Circuit; therefore, the Authority demands the amendment of that ruling pronouncement to comply with the measure taken by the Authority and its statements of defense. Based on the foregoing, the decision of the Circuit in this case subject matter of the appeal is deemed legally incorrect and worthy of judicial annulment without a shadow of doubt; accordingly, the Authority demands the acceptance of its appeal and the annulment of the decision of the Resolution Circuit regarding the items subject matter of its appeal.

On Tuesday, dated 25/02/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its session at exactly 11:00 AM, in the presence of its members whose names are recorded in the minutes, via videoconference in accordance with the procedures of remote visual litigation; pursuant to what is stated in

Item No. (1) of Article Fifteen of Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared / (...), National Identity Card No. (...), in his capacity as the agent for (...) Company pursuant to Power of Attorney No. (...) issued on 15/08/1445 AH, and Advocacy License No. (...); and there appeared the representative of the appellee / (...), (National Identity Card No. ...), pursuant to an authorization issued by the Vice Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (...) dated 19/03/1445 AH. Upon questioning the agent of the taxpayer as to what he wished to add, he stated that he had submitted his appeal and that they were not notified that the Authority had also submitted an appeal, and they did not review it until recently; they request a grace period to respond to the Authority's appeal and to attach their statement of defense. Upon presenting this to the representative of the Authority, she responded by adhering to what was previously submitted in this case, and as for the request for a grace period, which falls within the discretionary power of the Circuit. Accordingly, the Circuit unanimously decided to grant the taxpayer a period of (10) ten days to submit what it has, expiring on date: 08/03/2025 AD, and to grant the Authority a period of (10) ten days to respond thereto, expiring on date: 19/03/2025 AD. After this date, the pleading stage shall be closed, and the case shall be submitted for deliberation and issuance of the decision; the Circuit shall not accept any new documents or briefs that were not submitted prior to the aforementioned date, provided that the next session on 24/03/2025 AD shall be a session for pronouncing the decision.

On Monday, dated 24/03/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its session at exactly 02:15 PM, in the presence of its members whose names are recorded in the minutes, via videoconference in accordance with the procedures of remote visual litigation; pursuant to what is stated in Item No. (1) of Article Fifteen of Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared / (...), National Identity Card No. (...), in his capacity as the agent for (...) Company pursuant to Power of Attorney No. (...) issued on 15/08/1445 AH, and Advocacy License No. (...); and there also appeared / (...), (National Identity Card No. ...), in her capacity as the representative of the Zakat, Tax and Customs Authority pursuant to an authorization issued by the Vice Governor of the Zakat, Tax and Customs Authority for Legal and Compliance Affairs under No. (...) dated 19/03/1445 AH. Whereas the pleading stage has been closed and deliberation has taken place, and whereas this session is designated for pronouncing the decision.

Grounds

Whereas, upon reviewing the case documents and the appeal briefs submitted by the taxpayer and the Zakat, Tax and Customs Authority, it became evident to the Circuit that the conditions for reviewing the appeal procedurally have been satisfied in accordance with the conditions stipulated in the relevant laws, regulations, and resolutions; accordingly, both appeal requests are acceptable procedurally, as they were submitted by a party with standing and within the prescribed statutory period.

On the merits, and whereas regarding the Authority's appeal concerning the item of (imposing withholding tax at a rate of 15% instead of 5% regarding payments to related parties—A: amounts paid for withholding tax on all amounts actually paid to non-resident entities, totaling an amount of 720,673 Riyals for the years from 2015 to 2018); and pursuant to Paragraph No. (1) of Article (1) of the Implementing Regulations of the Income Tax Law, issued by Ministerial Resolution No. (1535) dated 11/06/1425 AH, which provides that: "Subsidiary companies mean companies owned by more than 50% of their capital, or which hold control over the composition of their board of directors"; and pursuant to Paragraph No. (c/2) of Article (64) of the same Regulations, which provides that: "c - Companies or entities shall be deemed under single 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: 2 - With respect to capital companies, control means ownership of voting rights therein or ownership of its value directly or indirectly through a subsidiary company or companies of any type"; and pursuant to Paragraph No. (1) of Article (63) of the same Regulations as well, which provides that: "A non-resident shall be subject to tax on any amount they obtain from any source in the Kingdom, and the tax shall be withheld from the total amount in accordance with the following rates: - Payments for technical or advisory 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 after reviewing the case file and the defenses and documents contained therein; and whereas the decision of the Resolution Circuit concluded to establish the resolution of the dispute despite the absence of evidence proving the resolution of the dispute, and that the amount referred to in the Authority's statement of defense is the remaining amount due from the taxpayer which was not accepted by the Authority; therefore, and since the resolution of the dispute has not been established, the Circuit concludes to accept the Authority's appeal and annul the decision of the Resolution Circuit regarding (the amounts paid for withholding tax on all amounts actually paid to non-resident entities, totaling an amount of 720,673 Riyals for the years from 2015 to 2018).

Whereas regarding the taxpayer's appeal concerning the remaining items subject matter of the case; and whereas the Circuit is not at fault for adopting the reasons of the contested decision without adding thereto whenever it deems that those reasons dispense with the need to adduce anything new, because in affirming them based on what those reasons carried, it is confirmed that it did not find in the challenges directed against the decision anything that warrants a response more than what those reasons contained; and since this is the case, and it is established that the decision subject matter of the appeal regarding the dispute over the contested items came in accordance with the valid reasons upon which it was built and which are sufficient to support its judgment, as the issuing Circuit undertook the scrutiny of the locus of the dispute therein and concluded in its regard to the result it reached in its pronouncement; and whereas this Circuit did not notice anything that requires correction or comment in respect thereof in light of the defenses raised before it; therefore, this Circuit concludes to the Rejection of the taxpayer's appeal and the affirmation of the decision of the Resolution Circuit subject matter of the appeal as to the result it reached regarding the remaining items subject matter of the case, supported by its reasons.

Based on the foregoing, and adopting the stated reasons, the Circuit has unanimously decided as follows:

Decision

First: Acceptance of the appeal procedurally, filed by the taxpayer / (...) Company, Commercial Registration No. (...), Tax Identification Number (...); and the appeal filed by the Zakat, Tax and Customs Authority, against the decision of the First Resolution Circuit for Income Tax Violations and Disputes in Riyadh City, bearing No. (IFR-2024-225655), issued in Case No. (W-2023-225655) concerning withholding tax for the years 2015, 2016, and 2018.

Second: On the merits:

1- With respect to the appeal of both parties concerning the item of (imposing withholding tax at a rate of 15% instead of 5% regarding payments to related parties):
   a. Rejection of the taxpayer's appeal and affirmation of the decision of the Resolution Circuit regarding (the taxpayer's demand to subject the amounts paid to non-resident entities to tax at a rate of 5% instead of 15%, and the applicability of withholding tax pursuant to double taxation avoidance agreements).
   b. Acceptance of the Authority's appeal and annulment of the decision of the Resolution Circuit regarding (the amounts paid for withholding tax on all amounts actually paid to non-resident entities, totaling an amount of 720,673 Riyals for the years from 2015 to 2018).

2- Rejection of the taxpayer's appeal and affirmation of the decision of the Resolution Circuit with respect to the item of (late payment penalty).

Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Income Tax Violations and Disputes

Decision No IR-2025-242978

Case No. W-2024-242978

Keywords:

Withholding Tax – Acceptance of the Authority's appeal – Annulment of the decision of the Resolution Circuit regarding the item of (withholding tax on a portion of the amount) – Recording the settlement of the dispute regarding the remaining amount.

Summary:

The Administration's appeal against the Taxpayer relating to income tax, whereas its objection centered on the Resolution Circuit's decision which ruled the lack of subject-matter jurisdiction to consider the objection lawsuit against the withholding tax assessment for the years from 2014 to 2018. The Administration argued the invalidity of the preliminary decision because the prior notices to the Taxpayer were for the purpose of re-auditing and not a final acceptance of the objection, along with his proven non-cooperation. And whereas the Appeal Circuit decided to address the lawsuit and adjudicate its merits, and relied in the first part on the file being devoid of any supporting documents proving the settlement of the amounts, which necessitates subjecting them to tax, while it was proven to it in the other part the partial conclusion of the dispute by virtue of the Administration's supplementary memorandum which determined the non-applicability of the royalty concept to some license contracts; the implication of this is: acceptance of the Administration's appeal procedurally, and on the merits by annulling the Resolution Circuit's decision and accepting it regarding the withholding tax item for the first amount, and establishing the conclusion of the dispute for the remaining amount.

Document

- Paragraph (3) of Article (37) of the Rules of Operation for Zakat, Tax and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH.
- Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures issued by Decision of the Minister of Justice No. (39933) dated 19/05/1435 AH.
- 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.

Facts:

This is to consider the appeal submitted on 19/09/2024 AD by the Zakat, Tax and Customs Authority against the decision of the First Resolution Circuit for Income Tax Violations and Disputes in Dammam City, bearing No. (IZD-2024-236873), issued in Case No. (W-2024-236873) concerning the objection to the withholding tax assessment for the years from 2014 to 2018 AD, in the case filed by the taxpayer against the Zakat, Tax and Customs Authority, the decision of the Resolution Circuit of which ruled as follows:

The Lack of Jurisdictional Competence of the Circuit to review the plaintiff's case.

Whereas the Resolution Circuit issued its aforementioned decision and considered the case anew as a result of the decision of this Circuit, bearing No. (IR-2021-378) issued on 20/05/2024 AD, which provided for the remand of the case to the Resolution Circuit to review it on the merits, and which ruled as follows:

First: Acceptance of the appeal procedurally from the appellant, the Zakat, Tax and Customs Authority, against the decision of the First Resolution Circuit for Income Tax Violations and Disputes in Dammam City, bearing No. (IZD-2023-143756), issued in Case No. (W-2022-143756) concerning withholding tax for the years from 2014 to 2018.

Second: On the merits: Acceptance of the Authority's appeal, annulment of the decision of the Resolution Circuit, and remanding the case to it to consider it on the merits.

Accordingly, the Circuit decided to complete the consideration of the case; and whereas this decision did not meet the acceptance of the appellant (the Zakat, Tax and Customs Authority), it submitted an appeal brief, which included in summary the following:

The Authority objects to the appealed Resolution Circuit's decision, the Authority confirms the invalidity of what the preliminary decision concluded. The Authority also clarifies that it issued the withholding tax assessment on 31/08/2021 for the appealed years (2014 to 2018) in the amount of 318,992,767 Riyals. The Taxpayer objected to this assessment, and the study of the objection concluded with returning the case for the purpose of re-auditing, and the Taxpayer was notified via the attached email. This contradicts what the Appellee claims regarding the Authority's acceptance of the objection and is incorrect because the mentioned acceptance was for the purpose of re-auditing, as clarified in the attached email. The Authority also issued an assessment on 20/04/2022 with the same previous procedure due to the Taxpayer's non-cooperation, as the Taxpayer was contacted to hold a meeting to complete the audit and scrutiny procedures, but the Taxpayer insisted that the Authority had notified him of the acceptance of his objection as stated in the course of paragraph one above, and that he would not provide anything new to the Authority. Upon studying the objection, a meeting was held with the Taxpayer's representatives on Wednesday, 03/08/2022, and during the meeting, it was clarified to the Taxpayer that the acceptance notices issued by the Authority on the previous assessment were for the purpose of re-auditing, and he was officially notified of this via email by the relationship manager on 20/01/2022. The Taxpayer stated his adherence to his viewpoint that he obtained acceptance notices from the Authority for calculating the withholding taxes and that the Authority has no right to assess again. Based on the foregoing, and since the Authority notified the Taxpayer of the acceptance of his objection for the purpose of re-auditing and the Taxpayer did not cooperate with the Authority's request to hold a meeting to discuss the withholding taxes, the Authority accordingly issued an assessment again on 20/04/2022. The objection was rejected based on Paragraph (1) of Article 58 of the Implementing Regulations of the Income Tax Law, which stipulated: "The Authority has the right to conduct a field audit of the taxpayer's books and records to obtain the information it needs for the purposes of applying this Law, whether regarding the taxpayer himself or to obtain information about another taxpayer, or for the purposes of fulfilling its obligations under the effective tax agreements. The Authority also has the right to seek the assistance of the competent executive agencies to compel a natural or legal person to provide the required information. In the event of the taxpayer's non-cooperation in providing the Authority with the required information, it has the right to complete its procedures relating to the assessment on the taxpayer or the like as it deems appropriate according to the information available to it." This was also based on the provisions of Paragraph (A) of Article (62) of the Income Tax Law, which stipulated that: "The Department has the right to correct and amend the tax stated in the return to make it compliant with the provisions of this Law, and it has the right to conduct a tax assessment if the taxpayer does not submit his return." Therefore, the Taxpayer's objection was rejected for the clarified reasons, and the Authority adheres to the correctness and statutory nature of its procedure.

On Tuesday, 11/03/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its session at exactly 01:20 PM in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with the procedures of remote visual litigation; based on what is stated in Item No. (1) of Article Fifteen of the Rules of Operation for the Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. By calling upon the litigants, there attended the Appellant's representative / (...), (National ID No. ...), by virtue of an authorization issued by the Vice Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (11093/4/353/1445) dated 19/03/1445 AH. And there attended / (...), National ID No. (...), in his capacity as the Appellee's representative by virtue of Power of Attorney No. (...) issued on 21/06/1445 AH, and License to Plead on Behalf of a Private Legal Entity No. (...). Upon asking the Appellee's representative what he wishes to add, he stated that he adheres to what was previously submitted in this lawsuit. By presenting this to the Appellant's representative, he answered by adhering to what was previously submitted in this lawsuit. Upon asking both parties what they wish to add, they decided to be satisfied with what was previously submitted. And after closing the hearing of pleadings and deliberation:

Grounds

And whereas by reviewing the case documents and the appeal brief submitted by the Authority, it became evident to the Circuit that the conditions for considering the appeal procedurally have been fulfilled in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; a matter with which the appeal request is procedurally acceptable for being submitted by a party with standing, and within the statutory period prescribed for its execution.

On the merits, and whereas the circumstances of the lawsuit are ready for adjudication, and based on Paragraph (3) of Article (Thirty-Seven) of the Rules of Operation for the Zakat, Tax and Customs Committees, the Circuit decided to address the lawsuit and adjudicate its merits. Regarding the Authority's appeal concerning the (Withholding tax item regarding the amount of (3,084,946) Riyals), and whereas Paragraph No. (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 that "the burden of proving the correctness of what is stated in the taxpayer's return regarding revenues, expenses, and any other data lies with the taxpayer. In the event he is unable to prove the correctness of what is stated in his return, the Department may, in addition to applying any other statutory penalties, disallow the expense whose correctness is not proven by the taxpayer, or conduct an estimated assessment according to the Department's viewpoint in light of the circumstances, facts related to the case, and information available to the Department." Based on the foregoing, and by referring to the case file in the previous resolution and current appeal stages, it became evident that the lawsuit file was devoid of any supporting documents for these amounts, especially since the Authority's procedure of imposing the tax was due to a documentary dispute with the Taxpayer regarding proving the payment of these amounts or settling them with the contracted companies. This clarifies the correctness of the Authority's procedure in imposing the withholding tax on royalty services and technical and consulting services due to the Taxpayer's failure to provide documentary proof; a matter with which the Circuit concludes to accept the Authority's appeal regarding the amount of (3,084,946) Riyals and annul the Resolution Circuit's decision No. (IZD-2024-236873).

Regarding the Authority's appeal concerning the (Withholding tax item regarding the amount of (315,907,821) Riyals), and whereas Article (70) of the Law of Civil Procedure issued by Royal Decree No. (M/1) dated 22/01/1435 AH stipulated that: "The litigants may request the court, at whatever stage the lawsuit is in, to record what they have agreed upon in terms of an acknowledgment, settlement, or otherwise in the lawsuit minutes, and the court must issue an instrument for that." Furthermore, Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Civil Procedure issued by the Minister of Justice's Decision No. (39933) dated 19/05/1435 AH stipulated that: "If the agreement occurs before the lawsuit is recorded, the content of the lawsuit and the answer must be documented before recording the agreement, taking into account that the origin of the lawsuit falls within the Circuit's jurisdiction, even if the content of the agreement falls within the jurisdiction of another court or circuit, provided that the subject of the lawsuit or part of it is among what is agreed upon." Based on the foregoing, and whereas it has been proven to this Circuit the conclusion of the dispute by the Authority's acceptance of the Taxpayer's requests in accordance with what was stated in the letter issued by it in the supplementary memorandum, which included "... And after restudying the documents submitted by the Taxpayer, the Authority states that the external services for the royalty item were provided by (14) different entities, while the Taxpayer provided contracts only for the services provided by the two companies (... / ...). By studying the submitted contracts, it became clear that the provided services represent a distribution of licenses and the concept of a royalty does not apply to the contracts of the two companies (...) and (...); therefore, the Authority partially accepts the Taxpayer's objection for the royalty item and the Authority requests your esteemed Circuit to establish that." A matter with which the Circuit concludes to establish the conclusion of the dispute regarding the (Withholding tax item regarding the amount of (315,907,821) Riyals).

Based on the foregoing and invoking the stated grounds, the Circuit unanimously decided the following:

Decision

First: Acceptance of the appeal procedurally, filed by the Zakat, Tax and Customs Authority, against the decision of the First Resolution Circuit for Income Tax Violations and Disputes in Dammam City, bearing No. (IZD-2024-236873), issued in Case No. (W-2024-236873) concerning the objection to the withholding tax assessment for the years from 2014 to 2018.

Second: On the merits:

1- With respect to the Authority’s appeal concerning the item of (withholding tax for the years from 2014 AD to 2018 AD):
   a) Acceptance of the Authority's appeal with respect to the amount of (3,084,946) Riyals and annulment of the Resolution Circuit’s decision No. (IZD-2024-236873).
   b) Recording the settlement of the dispute with respect to the amount of (315,907,821) Riyals.

Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Income Tax Violations and Disputes

Decision No IA-2025-71

Case No. W-2024-243576

Keywords:

Withholding Tax – Partial acceptance of the taxpayer's appeal – Annulment of the decision of the Resolution Circuit regarding the item of (withholding tax on domestic amounts) – Amendment of the decision of the Resolution Circuit concerning the item of (late payment penalty) – Upholding the Resolution Circuit's decision in all other respects.

Summary:

The taxpayer's appeal against the appellee concerning income tax, wherein its objection was directed against the decision of the Resolution Circuit ruling the Rejection of its case regarding the withholding tax assessments and late payment penalties; the taxpayer raised a defense asserting that certain withholding amounts represent services received from a local law firm pursuant to a domestic payment transaction, and other amounts represent loan installments and costs paid on its behalf that are not statutorily subject to withholding tax; and whereas the Appeal Circuit relied on the taxpayer's submission of invoices, books, the general ledger, and bank account receipts which proved the domestic nature of the services and the eligibility for the exemptions paid, along with proof of the validity of imposing the late payment penalty from the due date on the rejected portion and its lapse with respect to the accepted portion in application of the legal maxim "if the principal falls, the accessory falls"; the consequence thereof is: acceptance of the appeal procedurally, and on the merits, by accepting it partially, annulling the decision of the Resolution Circuit regarding the items of services and foreign amounts, and amending it regarding the item of the late payment penalty.

Document

- The Rules of Operation for Zakat, Tax and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH.
- Paragraph (a) of Article (77) of 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.

Facts:

This is to consider the appeal filed on 08/10/2024 AD by / (...), National Identity Card No. (...), in his capacity as the statutory representative of the appellant company pursuant to its Articles of Association, against the decision of the Second Resolution Circuit for Income Tax Violations and Disputes in Riyadh City, bearing No. (ISR-2024-236621), issued in Case No. (W-2024-236621) concerning the withholding tax assessment for the months of June 2016 and June 2017 and the penalties resulting therefrom, in the case filed by the taxpayer against the Zakat, Tax and Customs Authority, the decision of the Resolution Circuit of which ruled as follows:

First: Acceptance of the case filed by the plaintiff / (...) Company, (Commercial Registration No. ...), against the defendant / the Zakat, Tax and Customs Authority, procedurally.

Second: On the merits:

1- Rejection of the plaintiff's objection concerning the item of withholding tax (...) for the month of June 2016 in the amount of (94,038) Riyals, and the month of June 2017 AD in the amount of (100,801) Riyals.
2- Annulment of the defendant's measure concerning the item of withholding tax (...) for the month of June 2016 AD in the amount of (187,710) Riyals, and for the month of June 2017 AD in the amount of (93,883) Riyals, in accordance with what is stated in the reasons.
3- Rejection of the case concerning the item of withholding tax (...) for the month of June 2016 in the amount of (303,345) Riyals.
4- Rejection of the case concerning the item of withholding tax (...) for the month of June 2017 in the amount of (6,721,547) Riyals.
5- Amendment of the defendant's measure concerning the item of the late payment penalty for the month of June 2016 and the month of June 2017, in accordance with what is stated in the reasons.

Whereas this decision did not meet with the acceptance of the taxpayer, it submitted an appeal brief, which included in summary the following:

With respect to the taxpayer's appeal against the decision of the Resolution Circuit, and concerning the item of (withholding tax (...) for the months of June 2016 and June 2017), the taxpayer demands the annulment of the Circuit's decision regarding this item on the basis that the nature of the aforementioned transaction is not subject to withholding tax since it relates to the settlement of expenses incurred on behalf of the company outside the Kingdom; meaning that the service performed was carried out entirely outside the Kingdom. It is worth noting that the Authority did not state the reason in its brief as to why those expenses were subjected to withholding tax, as it merely referenced Paragraph (a) of Article (68) of the Income Tax Law, which does not apply to this case; in light of this, the company requests the Committee to annul the adjudication decision. Concerning the item of (withholding tax (...) for the month of June 2016), the company emphasizes that the

Authority extracted the amount in question from Schedule No. (8) of the tax declaration, which represents only the accrued expenses and not the actual amount that was paid. The company also emphasizes that the service was received from a local law firm ((...) Firm), which is a subsidiary of (...) Company, and this fact was already clarified to the Authority via the email sent on June 16, 2021 AD. The taxpayer submitted a document proving the payment of the amount to the aforementioned local entity, meaning that the payment transaction took place domestically; since there are no amounts paid to a foreign entity, there is no withholding tax due. Furthermore, the mere association of the local company with its non-resident member company does not mean that the payment was made to a non-resident member company for providing services in the Kingdom. It is worth noting that the Authority's viewpoint contained in all its briefs clearly shows that the Authority did not take into account the clarification and supporting documents submitted to it, which led to an incorrect conclusion. Concerning the item of (withholding tax (...) for the month of June 2017 in the amount of 6,721,547 Riyals), the taxpayer demands the annulment of the Circuit's decision regarding this item on the basis that the company emphasizes it submitted full details of the amount in question via the email dated June 16, 2021 AD referred to in the item above, in addition to the objection letter submitted to the Authority. Nevertheless, the position taken in all the Authority's briefs clarifies that it did not take into consideration the explanations and supporting documents submitted by the company. The taxpayer raised a defense asserting that the Authority did not take into account the documents and evidence submitted by the company during the assessment as well as through the objection, otherwise it would not have reached a conclusion that the payment of (5,866,219) Riyals represents payments for loans only, and the amount of (855,328) Riyals represents the amount paid on behalf of the company.

Concerning the item of (late payment penalty for the months of June 2016 and June 2017), the taxpayer demands the annulment of the Circuit's decision regarding this item on the basis that the company objects to the Authority's imposition of late payment penalties, as the additional demand for withholding tax arose primarily when the Authority decided to differ in its viewpoint from that of the company. Considering the facts presented, the company adheres to the position that a late payment penalty should not be imposed on the additional withholding tax calculated by the Authority until the disputed matters are definitively finalized, given the existence of a genuine technical dispute between the company and the Authority. In light of what has been submitted above, we request the annulment of the decision of the Adjudication Committee ruling to affirm the Authority's measure in imposing the penalty, as the tax demand represents nothing more than an additional liability stemming from a different viewpoint adopted by the Authority from that of the taxpayer.

On Tuesday, dated 15/04/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its session at exactly 12:45 PM, in the presence of its members whose names are recorded in the minutes, via videoconference in accordance with the procedures of remote visual litigation; pursuant to what is stated in Item No. (1) of Article Fifteen of Rules of Operation for Zakat, Tax, and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. Upon calling upon the litigants, there appeared / (...), National

Identity Card No. (...), in his capacity as the representative of the appellant pursuant to the company's amended Articles of Association. There also appeared the representative of the appellee / (...) (National Identity Card No. ...), pursuant to an authorization issued by the Vice Governor of the Zakat, Tax and Customs Authority for Legal and Compliance Affairs under No. (...) dated 19/03/1445 AH. Upon asking the Appellant's representative what he wishes to add, he stated that he adheres to what was previously submitted in this case. By presenting this to the Appelleet's representative, she answered by adhering to what was previously submitted in this case. Upon asking both parties what they wish to add, they decided to be satisfied with what was previously submitted. And after closing the hearing of pleadings and deliberation:

Grounds

And whereas by reviewing the case documents and the appeal brief submitted by the taxpayer, it became evident to the Circuit that the conditions for considering the appeal procedurally have been fulfilled in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; a matter with which the appeal request is procedurally acceptable for being submitted by a party with standing, and within the statutory period prescribed for its execution.

On the merits, and whereas regarding the taxpayer's appeal concerning the item of (withholding tax (...) for the month of June 2016), wherein the company emphasizes that the Authority extracted the amount in question, which represents only the accrued expenses and not the actual amount that was paid, and the company also emphasizes that the service was received from a local law firm, which is a subsidiary of (...) Company; and pursuant to Paragraph No. (1) of Article (63) of the Implementing Regulations of the Income Tax Law, issued by Resolution of the Minister of Finance No. (1535) dated 11/06/1425 AH, which provides that: "A non-resident shall be subject to tax on any amount they obtain from any source in the Kingdom, and the tax shall be withheld from the total amount in accordance with the following rates: - A royalty or proceeds, payments for services paid to the head office or a related company.... at a rate of 15%". Based on the foregoing, it becomes evident that the core of the dispute lies in the imposition of withholding tax on the amounts paid to (...) Company for the month of June of the year 2016 in the amount of (303,345) Riyals on the ground that they were paid to related parties in exchange for technical and advisory services, whereas the taxpayer raises a defense asserting that the service was received from a local law firm, "(...) Firm", which is a subsidiary of (...) Company. Upon the Circuit's review of the case file and the documents contained therein, it becomes evident that the taxpayer submitted the general ledger and the service delivery invoice from (...) Company, through which it is revealed that the service consists of the registration of a new company. Since the registration of a company in the Kingdom of Saudi Arabia requires that the law firm be local, therefore, the mere association of the local law firm with a non-resident company does not mean that the payment was made to a non-resident company for providing services in the Kingdom. Since the taxpayer submitted the supporting documents through which it was established that the item is not subject to withholding tax and that the service was provided by a local entity, the Circuit consequently concludes to accept the taxpayer's appeal and annul the decision of the Resolution Circuit regarding the item of (withholding tax (...) for the month of June 2016).

With respect to the taxpayer's appeal concerning the item of (withholding tax (...) for the month of June 2017 in the amount of 6,721,547 Riyals), the taxpayer demands the annulment of the Circuit's decision regarding this item on the basis that the company emphasizes it submitted full details of the amount in question via the email dated June 16, 2021 AD referred to in the item above, in addition to the objection letter submitted to the Authority. Nevertheless, the position taken in all the Authority's briefs clarifies that it did not take into consideration the explanations and supporting documents submitted by the company. Pursuant to Paragraph No. (1) of Article (63) of the Implementing Regulations of the Income Tax Law, issued by Resolution of the Minister of Finance No. (1535) dated 11/06/1425 AH, which provides that: "A non-resident shall be subject to tax on any amount they obtain from any source in the Kingdom, and the tax shall be withheld from the total amount in accordance with the following rates: - A royalty or proceeds, payments for services paid to the head office or a related company.... at a rate of 15%". Based on the foregoing, it becomes evident that the core of the dispute lies in the taxpayer's objection to the Authority's measure in imposing withholding tax on the amount of (6,721,547) Riyals, on the ground that it consists of loan repayment installments amounting to (406,649.42) Riyals, transfers of principal loan amounts in the amount of (2,233,991.60) Riyals, domestic payments to Saudi authorities in the amount of (505,488.10) Riyals, rent payments to a local landlord in the value of (749,902.16) Riyals, and the purchase of fixed assets amounting to (1,970,188.25) Riyals, which are not subject to withholding tax. The taxpayer also raises a defense asserting that the amount of (855,328) Riyals paid on behalf of the company by related entities had previously been subjected to withholding tax in the year 2016, whereas the Authority imposed withholding tax on the amounts paid to (...) Company based on the data submitted by the taxpayer and paid to related parties in exchange for loans, and the amount of (855,328) Riyals paid against invoices on behalf of the company. Upon reviewing the case file, it became evident that the taxpayer submitted documents consisting of invoices, bank statement receipts, the lease agreement, and the analytical statement of fixed assets illustrating therein the supplier's name, invoice number, invoice date, and the value of the fixed assets. With respect to the amount of (855,328) Riyals, it became evident that the taxpayer submitted the annual withholding form for the year 2016. Since the taxpayer submitted the supporting documents for the validity of its defenses, and whereas the burden of proof rests upon the Authority to establish that the amount subject matter of the dispute is subject to withholding tax, and since the Authority did not submit what establishes the validity of its viewpoint, the Circuit consequently concludes to accept the taxpayer's appeal and annul the decision of the Resolution Circuit regarding the item of (withholding tax (...) for the month of June 2017 in the amount of 6,721,547 Riyals).

With respect to the taxpayer's appeal concerning the item of (late payment penalty for the months of June 2016 and June 2017), and pursuant to the text of Paragraph (a) of Article (77) of the Income Tax Law, which provides that: "In addition to the penalties provided for in Article Seventy-Six of this Law and in Paragraph (b) of this

Article, the taxpayer shall pay a late payment penalty at the rate of one percent (1%) of the unpaid tax for every thirty days of delay. This includes delay in paying the tax required to be withheld and accelerated payments, and it shall be calculated from the due date of the tax to the date of payment." Furthermore, Paragraph (c) of Article (68) of the Income Tax Law provides that: "The person responsible under this Article for withholding tax shall be personally liable to pay the value of the unpaid tax, and the late payment penalties resulting therefrom in accordance with Paragraph (a) of Article Seventy-Seven of this Law if any of the following cases apply to them: 1- If they do not withhold the tax as required. 2- If they withhold the tax but do not pay it to the Authority as required. 3- If they do not submit the withholding data to the Authority as required by Sub-paragraph Three of Paragraph (b) of this Article." Pursuant to Paragraph (3) of Article (67) of the Implementing Regulations of the Income Tax Law, which provides that: "Unpaid tax means the difference between what the taxpayer paid within the statutory deadline and the tax due for payment pursuant to the provisions of the Law, and it includes amendments made by the Authority which have become final as provided for in Paragraph (2) of Article Seventy-One of these Regulations, including contested cases where the penalty is calculated from the date of the statutory deadline for submitting the declaration and payment." Based on the foregoing, it becomes clear that the dispute lies in the taxpayer's objection to the Authority's imposition of the late payment penalty amounting to (532,426) Riyals on the unpaid tax variance arising from the tax assessment. Since the late payment penalty is linked to the aforementioned items subject matter of the dispute, and whereas "the accessory follows the principal", and pursuant to the legal maxim "if the principal falls, the accessory falls", the Circuit consequently concludes to amend the decision of the Resolution Circuit regarding the taxpayer's appeal on the item of (late payment penalty for the months of June 2016 and June 2017), due to the validity of the Authority's measure in imposing the late payment penalty from the due date on the item in which the taxpayer's appeal was rejected, and the lapse of the late payment penalty on the items in which the taxpayer's appeal was accepted.

With respect to the taxpayer's appeal concerning the remaining items, and whereas the Circuit is not at fault for adopting the reasons of the contested decision without adding thereto whenever it deems that those reasons dispense with the need to adduce anything new, because in affirming them based on what those reasons carried, it is confirmed that it did not find in the challenges directed against the decision anything that warrants a response more than what those reasons contained; and since this is the case, and it is established that the decision subject matter of the appeal regarding the dispute over the contested items came in accordance with the valid reasons upon which it was built and which are sufficient to support its judgment, as the issuing Circuit undertook the scrutiny of the locus of the dispute therein and concluded in its regard to the result it reached in its pronouncement; and whereas this Circuit did not notice anything that requires correction or comment in respect thereof in light of the defenses raised before it; therefore, this Circuit concludes to the Rejection of the taxpayer’s appeal and the affirmation of the decision of the Resolution Circuit subject matter of the appeal as to the result it reached regarding the remaining items subject matter of the case, supported by its reasons.

Based on the foregoing, and adopting the stated reasons, the Circuit has unanimously decided as follows:

Decision

First: Acceptance of the appeal procedurally from the taxpayer / (...) Company, Commercial Registration No. (...), Tax Identification Number (...), against the decision of the Second Resolution Circuit for Income Tax Violations and Disputes in Riyadh City, bearing No. (ISR-2024-236621), issued in Case No. (W-2024-236621) concerning the withholding tax assessment for the months of June 2016 and June 2017 and the penalties resulting therefrom.

Second: On the merits:

1- Rejection of the taxpayer's appeal and affirmation of the decision of the Resolution Circuit with respect to the item of (withholding tax (...) for the months of June 2016 and June 2017).
2- Acceptance of the taxpayer's appeal and annulment of the decision of the Resolution Circuit with respect to the item of (withholding tax (...) for the month of June 2016).
3- Acceptance of the taxpayer's appeal and annulment of the decision of the Resolution Circuit with respect to the item of (withholding tax (...) for the month of June 2017 in the amount of 6,721,547 Riyals).
4- Amendment of the decision of the Resolution Circuit with respect to the taxpayer's appeal on the item of (late payment penalty for the months of June 2016 and June 2017).

Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Income Tax Violations and Disputes

Decision No IR-2025-243630

Case No. ZI-2024-243630

Keywords:

Withholding Tax – Withholding tax on services and payments – Rejection of the taxpayer's appeal – Rejection of the Authority's appeal – Amendment of the decision of the Resolution Circuit concerning the late payment penalty.

Summary:

The mutual appeal of the two parties relating to the Zakat and tax assessment, whereas the objection centered on the Resolution Circuit's decision regarding the items of the statute of limitations, imports, customs duties, withholding tax, and provisions. The Taxpayer argued the lapse of the right to assess due to the statute of limitations, his contractual bearing of the duties, and the lack of affiliation of some entities, while the Administration adhered to the soundness of its assessment and its adjustments to assets and provisions. And whereas the Appeal Circuit relied on the two parties' acknowledgment of the conclusion of the dispute regarding the items of the statute of limitations, imports, and deduction of the paid tax, and the proven incurrence by the Taxpayer of the customs duties by virtue of his contracts, and the absence of a related-party relationship with the benefiting external entities, along with the Administration's entitlement regarding the utilized provisions item; the implication of this is: acceptance of both appeals procedurally, and on the merits by establishing the conclusion of the dispute in [certain] items, the acceptance of the Taxpayer's appeal regarding the customs and technical services items, the acceptance of the Administration's appeal regarding the provisions item, and amending the late payment penalty.

Document

- The Rules of Operation for Zakat, Tax and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH.
- Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH.
- Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures issued by Decision of the Minister of Justice No. (39933) dated 19/05/1435 AH.

- Paragraph (a) of Article (77) – Paragraph (c) of Article (68) of the Income Tax Law, issued by Royal Decree No. (M/1) dated 15/01/1425 AH.
- Paragraph (3) of Article (67) – Paragraph (1) of Article (63) – 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.

Facts:

With reference to Decision No. (IR-2024-240784) issued by the First Appeal Circuit for Income Tax Violations and Disputes regarding the petition registered under No. (ZI-2024-240784), which provides: "First: Acceptance of the petition for reconsideration procedurally, filed by the taxpayer / (...) Company, Commercial Registration No. (...), Tax Identification No. (...), against Decision No. (IR-2022-235) issued by the First Appeal Circuit for Income Tax Violations and Disputes in Case No. (ZI-2020-26185) concerning the Zakat and tax assessment for the years from 2006 to 2012. Second: On the merits: Acceptance of the petition for reconsideration, annulment of the decision of the Appeal Circuit, and remanding the case to it for consideration, in accordance with the grounds and reasons set forth in this decision." Accordingly, this Circuit has decided to examine the case on the merits pursuant to its decision issued in the aforementioned petition. And whereas the appeal was initially filed on 13/10/2020 AD by (...), holding National ID No. (...), in his capacity as agent for the appealing company, (...) Company, pursuant to Power of Attorney No. (...) dated 07/11/1441 AH, and by the Zakat, Tax and Customs Authority on 13/10/2020 AD, against Decision No. (00-2020-121) issued by the First Resolution Circuit for Income Tax Violations and Disputes in Dammam City in Case No. (ZI-2018-10) concerning the Zakat and tax assessment for the years from 2006 AD to 2012 AD, filed by the appellant against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

Acceptance of the case procedurally.

On the merits:

- Acceptance of the plaintiff's objection regarding the item of "depreciation differences and other fixed asset adjustments for the years from 2006 to 2012."
- Acceptance of the plaintiff's objection regarding the item of "deemed profits on imports for the years from 2006 to 2012."
- Rejection of the plaintiff's objection regarding the item of "customs duties for the years from 2006 to 2011."
- Acceptance of the plaintiff's objection regarding the item of "donations for the years 2006, 2009, 2010, and 2012."
- Acceptance of the plaintiff's objection regarding the item of "repair and maintenance expenses for the year 2006."

- Acceptance of the plaintiff's objection regarding the item of "ownership share percentages for the year 2009."
- Acceptance of the plaintiff's objection regarding the item of "utilized provisions for the years from 2006 to 2012."
- Rejection of the plaintiff's objection regarding the item of "balances, credit accounts, retentions, amounts payable, and advance payments for the years from 2006 to 2008."
- Acceptance of the plaintiff's objection regarding the item of "fixed assets for the years from 2006 to 2008."
- Recording the settlement of the dispute regarding the item of "retained earnings for the years 2007 and 2008."
- Acceptance of the plaintiff's objection regarding the item of "withholding tax on technical services."
- Rejection of the plaintiff's objection regarding the item of "deduction of withholding tax on technical services."
- Rejection of the plaintiff's objection regarding the item of "withholding tax on other payments for the years 2009 and 2010."
- Rejection of the plaintiff's objection regarding the item of "withholding tax on the conversion of retained earnings into capital."
- Acceptance of the plaintiff's objection regarding the item of "withholding tax on capital gains for the year 2009."
- Acceptance of the plaintiff's objection regarding the item of "late payment penalty for the years from 2006 to 2012."

And whereas this decision was unacceptable to both parties, each of them submitted an appeal brief containing a summary of the following:

Regarding the taxpayer's appeal against the decision of the Resolution Circuit:

With respect to the item of (Lapse of the prescribed period for the years from 2006 to 2010): The taxpayer demands the annulment of the Zakat assessment issued by the Authority for the years from 2006 to 2010, given that more than five years elapsed since the plaintiff submitted its tax returns for those years without the Authority exercising its right to perform the assessment. Furthermore, the taxpayer was notified of the assessment on 09/06/2016 AD, whereas the statutory period expired on 30/04/2016 AD. With respect to the item of (Deemed Profits on Imports for the years 2011 and 2012): The taxpayer argued that the Authority agrees with the taxpayer's demand to adjust the value of import differences based on the confirmation certificates submitted by the taxpayer. However, an error occurred leading to the adoption of a reduction in differences by an amount of (167,503,831) Riyals instead of (2,619,265,764) Riyals. Nonetheless, it appeared that the Resolution Circuit did not scrutinize the plaintiff's requests and did not address the submitted documentation. With respect to the item of (Customs Duties for the year 2011): The taxpayer wishes to inform the Circuit that in order to deliver materials and equipment to construction sites within the specified schedules, the company, in its capacity as the construction contractor, was contractually obligated toward its clients to facilitate customs clearance for the clients' materials and equipment purchased directly by them from foreign suppliers. The clearance was executed by the Customs Authority using the commercial registration numbers of the relevant clients. Accordingly, the value of the imported materials and the customs duties paid thereon do not appear under the commercial registration number of the plaintiff; however, under the provisions of the contracts and the scope of work of the defendant, the plaintiff was required to bear the costs of customs duties upon clearing the clients' materials and equipment. With respect to the item of (Withholding Tax on Technical Services): The taxpayer pointed out that (...) Company and (...) Company are not related parties to the plaintiff according to the definition of related parties set forth in Article (64) of the Income Tax Law. The taxpayer provided a copy in the appeal brief containing the Authority's response to the taxpayers' inquiries on the same subject as stated in the Frequently Asked Questions (FAQs). Accordingly, it is noted from the texts of the tax law that entities can only be considered related if they directly or indirectly own a share of (50%) or more in any company. With respect to the item of (Deduction of the Paid Withholding Tax on Technical Services): The taxpayer requests the deduction of an amount of (928,125) Riyals from the liabilities due from the defendant, as it has already been paid to the Authority according to the submitted documents. With respect to the item of (Withholding Tax on Other Payments): The Circuit concluded that the services provided are technical and advisory services but are provided by a related company (...), so they must be subject to a rate of (15%). The taxpayer clarifies its point of view that the company erroneously declared engineering design service fees (technical and advisory services) as other services and subjected them to withholding tax at a rate of (10%) in accordance with the Double Taxation Avoidance Agreement between the Kingdom and the Republic of Korea.

As the decision was also unacceptable to the Zakat, Tax and Customs Authority, it submitted its appeal against the contested decision under an appeal brief containing a summary of the following:

Regarding the Authority's appeal against the decision of the Resolution Circuit:

With respect to the item of (Depreciation Differences and Other Fixed Asset Adjustments for the years 2011 and 2012): The Authority clarifies that it recalculated the depreciation rates and adjusted the depreciation schedule in accordance with the provisions of Article (17) of the Income Tax Law and Paragraph (4) of Article (9) of the Implementing Regulations of the Income Tax Law. The Authority explains that it recalculated Schedule No. (4) concerning fixed assets and their depreciation, comparing it with the taxpayer's calculation for the same schedule in the tax return, and the difference is added to the net profit. It pointed out the rationale of the decision, which stated: "that office equipment falls under machinery, equipment, devices, software (computer programs), and hardware, including passenger and cargo vehicles." The esteemed committee erred in interpreting the text of the Article and expanded the understanding of the statutory text, as it was clear and explicit in determining the depreciation calculation rate for assets at (25%) for assets considered machinery, equipment, devices, and software, and did not indicate that office equipment is included within those assets.

Furthermore, Paragraph (5) of the aforementioned Article (17) clarified beyond any doubt that all depreciable tangible and intangible assets not covered by the previous groups shall have a depreciation rate of (10%) calculated. Since office equipment was not mentioned within any of the groups in Article (17), the depreciation rate to be applied is (10%) according to the explicit text of Paragraph (5) of Article (17) of the Income Tax Law. With respect to the item of (Deemed Profits on Imports): The Authority states that the item is partially accepted by adding import difference profits at a rate of 10.5% for the year 2011 in the value of (5,822,185.85) Riyals, and for the year 2012 in the value of (6,438,801.71) Riyals. With respect to the item of (Utilized Provisions for the years 2011 and 2012): The esteemed committee annulled the Authority's decision after it appeared from the movement of provisions stated in Schedule (8) of the returns that those amounts were utilized in the year of their accrual. The Circuit did not clarify the basis of its ruling and did not address whether or not the plaintiff submitted supporting documents for the disbursement of those amounts, or whether it relied solely on the returns in its ruling. Therefore, the Authority's treatment of the provisions was sound and matching the returns submitted by the taxpayer, where the effect of the Zakat treatment of provisions was removed with respect to the tax partner in the event that the utilized amount is higher than the beginning balance of the period, and then adjusting the foreign partner's share by adding the created component and deducting the utilized amount, since the Zakat treatment of provisions does not apply to the taxpaying partner—a matter with which the Authority confirms the validity and correctness of its procedure. With respect to the item of (Withholding Tax on Capital Gains for the year 2009): The Authority clarifies initially that it did not impose a withholding tax on capital gains realized during the year 2009, nor did it impose this tax on the Saudi partner; rather, an income tax amounting to (8,086,464) Riyals was imposed on the capital gains realized by the foreign partner amounting to (40,432,320) Riyals as a result of purchasing the Saudi partner's share at less than its fair value, which means realizing gains for the foreign partner resulting from purchasing a share at less than its book value according to the equation = (41,432,319 - 1,000,000), where the Saudi partner's share, whose book value according to the financial statements for the year 2008 was (41,432,319) Riyals, was purchased for an amount of (1,000,000) Riyals. Article (8) of the Income Tax Law defined taxable income as: "The total income including all revenues, profits, and gains of any kind and in whatever form of payment resulting from practicing the activity, including capital gains and any other incidental revenues from which exempt income is deducted." Since the gains realized by the foreign partner as a result of purchasing the share at less than its book value represent negative goodwill—which arises when the fair market value of the purchased assets is higher than the price actually paid to acquire them—and according to International Accounting Standards, negative goodwill is treated as revenue, it must therefore be subjected to income tax for the foreign partner. What supports the Authority's procedure is that both buyers withdrew (150,000,000) Riyals from the retained earnings, of which the Saudi partner's share was (37,500,000) Riyals during the year in which the divestment event occurred, meaning they obtained distributed dividends that were not subjected to income tax and were obtained without a fair cost, which confirms the correctness of what the Authority concluded. Furthermore, its subjection to withholding tax does not prevent it from being subjected to income tax. The Authority confirms that its procedure came in application of the tax principle that the consideration in imposing tax is not the characterization of contracts, but rather the reality of the situation, and this reality is indicated by evidence and facts showing the foreign partner's realization of profits in return for obtaining this share; hence, it must be subjected to income tax. With respect to the item of (Late Payment Penalty for the years 2011 and 2012): The Authority withdraws its appeal partially according to the items it accepted and requests the Rejection of everything else, where the late payment penalty was imposed on the unpaid tax differences within the statutory deadline based on Paragraph (a) of Article (77) of the Income Tax Law. With respect to the item of (Donations for the year 2012): The Authority clarifies that the company did not submit all the documents requested from it during the field audit and objection stages, nor was the Authority enabled to review these documents upon which the Resolution Circuit built its decision. Furthermore, the Circuit did not clarify the nature of the documents, and all attachments were reviewed without finding what the Circuit relied upon according to the statutory requirements for accepting the item, as no supporting document from a third party was submitted for the transfer of these amounts, such as a receipt from the done entity or a bank transfer. Therefore, the Authority confirms the correctness of its procedure based on Article (11) of the Income Tax Law. With respect to the item of (Withholding Tax on Royalties for the year 2009): The Authority wishes to inform the esteemed Circuit of the withdrawal of its appeal regarding the above-mentioned item specifically and the procedures resulting from the Authority's appeal, in accordance with what the rationale of the Resolution Circuit's decision concluded.

On Tuesday, 25/02/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its session at exactly 12:30 PM in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with the procedures of remote visual litigation; based on what is stated in Item No. (1) of Article Fifteen of the Rules of Operation for the Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. By calling upon the litigants, there attended / (...), National ID No. (...), in her capacity as the Appellant's representative by virtue of Power of Attorney No. (...) issued on 28/04/1446 AH, and Law Practice License No. (...). And there attended both / (...), (National ID No. ...), and / (...), (National ID No. ...), representatives of the Appellee by virtue of an authorization issued by the Vice Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (...) dated 19/03/1445 AH. Upon asking the Appellant's representative what she wishes to add, she stated that the Authority submitted two supplementary memoranda, exceeding the stipulated period in attaching them, and that it also twice requested a time extension in violation of Article (35) of the Rules of Operation for the Zakat, Tax and Customs Committees, and accordingly, we raise this defense. By presenting this to the Appellee's representatives, they answered that since the lawsuit has been remanded to the Appeal Circuit after the acceptance of the petition, what the Taxpayer's representative mentioned does not apply to it. We also request not to enable the Taxpayer to submit any additional memorandum, as the Company did not submit its appeal brief within the statutory period before the Circuit previously. Furthermore, the Authority has formed a team to respond to the Taxpayer's additional brief, and therefore we request a time extension. By presenting this to the Appellant's representative, she requested a time extension to respond to that. The Authority's representatives added a request to establish that the Taxpayer submitted its appeal within the statutory period. Accordingly, the Circuit unanimously decided to grant the Taxpayer a period of (10) ten days to submit what it has, ending on the date: 08/03/2025 AD, and to grant the Authority a period of (10) ten days to respond to it, ending on the date: 19/03/2025 AD. After this date, the hearing of pleadings will be closed, and the lawsuit will be elevated for deliberation and the issuance of the decision, and the Circuit will not accept any new documents or memoranda that were not submitted prior to the aforementioned date. Provided that the next session on 21/04/2025 AD will be a session for pronouncing the decision.

On Monday, 21/04/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its session at exactly 08:03 PM in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with the procedures of remote visual litigation; based on what is stated in Item No. (1) of Article Fifteen of the Rules of Operation for the Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. By calling upon the litigants, there attended / (...), National ID No. (...), in his capacity as the Taxpayer's representative by virtue of Power of Attorney No. (...) issued on 28/04/1446 AH, and Law Practice License No. (...), and there also attended the Authority's representative / (...), (National ID No. ...), by virtue of an authorization issued by the Vice Governor of the Zakat, Tax and Customs Authority for Legal Affairs and Compliance under No. (...) dated 19/03/1445 AH. And whereas the hearing of pleadings and deliberation have been closed, and whereas this session is designated for pronouncing the decision.

Grounds

And whereas by reviewing the case documents and the appeal brief submitted by the Taxpayer and by the Zakat, Tax and Customs Authority, it became evident to the Circuit that the conditions for considering the appeal procedurally have been fulfilled in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; a matter with which the two appeal requests are procedurally acceptable, as they were submitted by a party with standing, and within the statutory period prescribed for their execution.

And on the merits: with respect to the taxpayer's appeal concerning the item of (Lapse of the prescribed period for the years from 2006 to 2010), and whereas the taxpayer demands the annulment of the Zakat assessment issued by the Authority for the years from 2006 to 2010, given that more than five years elapsed since the taxpayer submitted its returns for those years without the Authority exercising its right to perform the assessment, and that the taxpayer was notified of the assessment on 09/06/2016 AD, whereas the period expired on 30/04/2016 AD; and based on Article (70) of the Law of Sharia Procedures issued by Royal Decree No. (M/1) dated 22/01/1435 AH, which provides that: "The litigants may request the court at any stage of the case to record what they have agreed upon by way of acknowledgment, settlement, or otherwise in the case minutes, and the court shall issue a deed thereof," and Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedure s issued by Resolution of the Minister of Justice No. (39933) dated

19/05/1435 AH, provides that: "If the agreement occurs before recording the case, the substance of the case and the answer must be recorded before writing down the agreement, while taking into account that the core of the case falls within the jurisdiction of the circuit, even if the substance of the agreement falls within the jurisdiction of another court or circuit, provided that the subject matter of the case or part thereof is among what is agreed upon," and based on the foregoing, and regarding the lapse of the prescribed period on Zakat and income tax exclusively for the years from 2006 to 2010, and whereas it appeared that the dispute between the parties has been resolved by the Authority's acceptance of the taxpayer's objection pursuant to its reply memorandum, which contains the following text: "The Authority informs your esteemed committee that, in the event the procedural defense set forth above is bypassed, it accepts the plaintiff's objection to the item of the limitation period regarding Zakat and income tax for the years from 2006 to 2010 and the items amended by the Authority; therefore, the Authority requests the esteemed committee to rule the resolution of the dispute concerning the same."; the matter which requires the Circuit to establish the resolution of the dispute regarding the taxpayer's appeal on the item of (the lapse of the prescribed period exclusively on Zakat and income tax for the years from 2006 to 2010).

With respect to the appeal filed by both parties regarding the item of (Deemed Profits on Imports for the years 2011 and 2012), and based on Article (70) of the Law of Sharia Procedures issued by Royal Decree No. (M/1) dated 22/01/1435 AH, which provides that: "The litigants may request the court at any stage of the case to record what they have agreed upon by way of acknowledgment, settlement, or otherwise in the case minutes, and the court shall issue a deed thereof," and Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures issued by Resolution of the Minister of Justice No. (39933) dated 19/05/1435 AH, provides that: "If the agreement occurs before recording the case, the substance of the case and the answer must be recorded before writing down the agreement, while taking into account that the core of the case falls within the jurisdiction of the circuit, even if the substance of the agreement falls within the jurisdiction of another court or circuit, provided that the subject matter of the case or part thereof is among what is agreed upon," and based on the foregoing, regarding the lapse of the prescribed period on Zakat and income tax exclusively for the years from 2006 to 2010, and whereas it appeared that the dispute between the parties has been resolved in accordance with the Authority's supplementary memorandum, which contains the following text: "The Authority states that, in the event the Circuit bypasses the procedural defense set forth above, the item is partially accepted by adding import difference profits at a rate of 10.5% for the year 2011 in the value of (5,822,185.85) Riyals, and for the year 2012 in the value of (6,438,801.71) Riyals," and in accordance with the taxpayer's supplementary memorandum, which contains the following text: "...And since the Authority has acknowledged the confirmation letter submitted by the company in full, this leads to a deemed profit of 5,822,185.85 Saudi Riyals for the year 2011 and 6,438,801.71 Saudi Riyals for the year 2012. Consequently, the remaining tax liability on the estimated profits from imports amounts to 2,452,197.51 Saudi Riyals. The Authority has provided all the figures mentioned above, and the company agrees to them."; the matter which requires the Circuit to establish the resolution of the dispute regarding the appeal filed by both parties on the item of (Deemed Profits on Imports for the years 2011 and 2012).

With respect to the appeal filed by both parties regarding the item of (Late Payment Penalty), and based on the text of Paragraph (a) of Article (77) of the Income Tax Law, which includes: "In addition to the penalties set forth in Article Seventy-Six of this Law and in Paragraph (b) of this Article, the taxpayer shall pay a late payment penalty at the rate of one percent (1%) of the unpaid tax for every thirty days of delay. This includes the delay in paying the tax required to be withheld and accelerated payments, and it is calculated from the due date of the tax until the date of payment," and Paragraph (c) of Article (68) of the Income Tax Law provides that: "The person responsible under this Article for withholding tax is personally liable to pay the value of the unpaid tax and the late payment penalties resulting therefrom in accordance with Paragraph (a) of Article Seventy-Seven of this Law if any of the following cases apply to him: 1- If he does not withhold the tax as required. 2- If he withholds the tax but does not pay it to the Authority as required. 3- If he does not submit the withholding statements to the Authority as required by Subparagraph Three of Paragraph (b) of this Article," and based on Paragraph (3) of Article (67) of the Implementing Regulations of the Income Tax Law, which includes: "Unpaid tax means the difference between what the taxpayer paid within the statutory deadline and the tax due for payment under the provisions of the Law, and it includes modifications made by the Authority that have become final as set forth in Paragraph (2) of Article Seventy-One of these Regulations, including contested cases where the penalty is calculated from the date of the statutory deadline for submitting the return and payment," and based on the foregoing, and by reference to the case file and the defenses and documents contained therein, and based on the judicial principle "if the principal falls, the accessory falls," and since the imposition of the late payment penalty is a consequential result of the items appealed against, it becomes clear that the imposition of the late payment penalty from the due date is valid upon the items regarding which the taxpayer's appeal was dismissed and the items regarding which the Authority's appeal was accepted, and that the late payment penalty falls away with respect to the items regarding which the taxpayer's appeal was accepted, the items regarding which the Authority's appeal was dismissed, the items regarding which the resolution of the dispute was established, and the item for which the abandonment of litigation was accepted; the matter with which the Circuit concludes to the amendment of the decision of the Resolution Circuit regarding the appeal filed by both parties on the item of (Late Payment Penalty).

With respect to the taxpayer's appeal regarding the item of (Customs Duties for the year 2011), and based on Paragraph (1) of Article (9) of the Implementing Regulations of the Income Tax Law, issued by Ministerial Resolution No. (1535) dated 11/06/1425 AH, which provides as follows: "Expenses that may be deducted to determine the taxable income are: 1- All ordinary and necessary expenses to realize the taxable income, whether paid or accrued, provided that the following controls are met: a- That it is an actual expense supported by documentary evidence or other proof indicators enabling the Department to verify its correctness. b- That it is connected to realizing the taxable income. c- That relates to the tax year. d- That it is not of a capital nature," and based on the foregoing, and whereas it appeared that the cause of the difference was a result of the company bearing the value of the imported materials and customs duties in its capacity as the contractor, while these costs do not appear under the commercial registration number of (...) Company in the customs records, and the taxpayer justified that under the provisions of the contracts and the agreed scope of work of (...), it was required to bear these costs; and upon the Circuit's review of the case file and the attached documents, it appeared that the taxpayer submitted an analytical statement of the customs paid and a sample of clients for the years subject to the dispute, and also submitted a sample of client contracts confirming that (...) Company is responsible under the contract to pay customs duties on materials and equipment. Furthermore, upon reviewing the contract concluded between (...) Company and (...) Company – a construction contract – for the foundations of the Propane Dehydrogenation and Polypropylene project – Paragraph 2-10: "The Contractor shall receive the imported materials on behalf of the Owner and shall bear responsibility for their loss or damage from the delivery point. The Contractor bears the responsibility for delivering all materials of AKB Company from the dispatch point to the plant site. The Contractor shall undertake the unloading of all materials and their transportation to the plant site, and the Contractor bears the responsibility for customs clearance of all materials at the point of entry. Meanwhile, the Owner provides all import permits and licenses required from it to be provided for this purpose. The Contractor shall provide the Owner with all necessary documents requested by it within the scheduled time to obtain the permits without delay. The Contractor bears the responsibility for paying all customs duties at the point of entry in compliance with Article 11-2."; accordingly, and whereas there is no merit to the Authority's defense asserting that the customs duties included in the return are greater than those stated in the customs statement, in light of the circumstances and facts surrounding the method of calculating and classifying those differences by the taxpayer when submitting its return, given that it bore these duties in accordance with what it submitted within the provisions related to its contracts with its clients; the matter with which the Circuit concludes to Acceptance of the taxpayer's appeal and annulment of the decision of the Resolution Circuit regarding the item of (Customs Duties for the year 2011).

With respect to the taxpayer's appeal regarding the item of (Withholding Tax on Technical Services), and based on Paragraph (c) of Article (64) of the Income Tax Law concerning related persons and persons under common control, which provides: "Companies or entities shall be deemed under common control if they are controlled at fifty percent (50%) or more by the same person or related persons in accordance with this Article as follows: 2- With respect to capital companies, control means ownership of voting rights therein or ownership of their value directly or indirectly through a subsidiary company or companies of any kind.", and Paragraph (1) of Article (63) of the Implementing Regulations of the Income Tax Law provides as follows: "A non-resident is subject to tax on any amount he obtains from any source in the Kingdom, and the tax shall be withheld from the total amount in accordance with the following rates: - Royalty or proceeds, payments against services paid to the head office or a related company........at 15%", and Paragraph (3) of Article (57) of the same Regulations provides that: "The burden of proving the correctness of the revenues, expenses, and any other data stated in the taxpayer's return falls upon the taxpayer, and in the event he is unable to prove the correctness of what is stated in his return, the Department may, in addition to applying any other statutory penalties, disallow the expense whose correctness is not proven by the taxpayer or perform a deemed 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 based on the foregoing, the amounts paid to related non-resident companies against technical and advisory services to related parties are subject to withholding tax at a rate of (15%) once it is proven that they were related entities, and whereas the dispute is a documentary dispute and the adjudication decision concluded with the Rejection of the plaintiff's objection for the taxpayer's failure to submit the organizational structure and the ownership percentage; and upon the Circuit's review of the case file and the attached documents, it appeared that the taxpayer submitted the ownership disclosure statement of (...) Company, (the parent), through which the correctness of what the taxpayer defended was established, namely that (...) Company is not a partner of the company or a subsidiary of its parent entity, and accordingly, whereas the Authority did not submit anything contrary to what the taxpayer argued and contrary to the supporting documents; the matter with which the Circuit concludes to Acceptance of the taxpayer's appeal and annulment of the decision of the Resolution Circuit regarding the item of (Withholding Tax on Technical Services).

With respect to the taxpayer's appeal regarding the item of (Deduction of Withholding Tax on Technical Services), and based on Article (70) of the Law of Sharia Procedures issued by Royal Decree No. (M/1) dated 22/01/1435 AH, which provides that: "The litigants may request the court at any stage of the case to record what they have agreed upon by way of acknowledgment, settlement, or otherwise in the case minutes, and the court shall issue a deed thereof," and Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures, issued by Resolution of the Minister of Justice No. (39933) dated 19/05/1435 AH, provides that: "If the agreement occurs before recording the case, the substance of the case and the answer must be recorded before writing down the agreement, while taking into account that the core of the case falls within the jurisdiction of the circuit, even if the substance of the agreement falls within the jurisdiction of another court or circuit, provided that the subject matter of the case or part thereof is among what is agreed upon," and based on the foregoing, where it appeared that the dispute between the parties has been resolved by the Authority's acceptance of the taxpayer's objection pursuant to its reply memorandum, which contains the following text: "The Authority informs your esteemed Circuit that it accepts the taxpayer's objection to the item of withholding tax on paid technical services in the amount of 928,125 Riyals for (...) Company specifically, and requests therewith the establishment of the resolution of the dispute."; the matter which requires the Circuit to establish the resolution of the dispute regarding the taxpayer's appeal on the item of (Deduction of Withholding Tax on Technical Services).

With respect to the taxpayer's appeal regarding the item of (Utilized Provisions for the years 2011 and 2012), and whereas the taxpayer argues that the committee annulled the Authority's decision after it appeared from the movement of provisions stated in Schedule (8) of the returns that those amounts were utilized in the year of their accrual, and the Circuit did not clarify the basis of its ruling and did not address whether or not the plaintiff submitted supporting documents for the disbursement of those amounts, or whether it relied solely on the returns in its ruling, therefore the Authority's treatment of the provisions was sound and matching the returns submitted by the taxpayer, where the effect of the Zakat treatment of provisions was removed with respect to the tax partner in the event that the utilized amount is higher than the beginning balance of the period, and then adjusting the foreign partner's share by adding the created component and deducting the utilized amount, since the Zakat treatment of provisions does not apply to the taxpaying partner—a matter with which the Authority confirms the validity and correctness of its procedure; and based on the foregoing, and upon the Circuit's review of the submitted documents, it appeared that the taxpayer acknowledged the absence of an assessment by the Authority for the years 2011 and 2012, whereby the correctness of the Authority's request is established; the matter with which the Circuit concludes to accepting the Authority's appeal and annulling the decision of the Resolution Circuit regarding the item of (Utilized Provisions for the years 2011 and 2012).

Regarding the Authority's appeal on the item of (Withholding Tax on Royalties for the year 2009), and based on Article (70) of the Law of Sharia Procedures, issued by Royal Decree No. (M/1) dated 22/01/1435 AH, which provides that: "The litigants may request the court at any stage of the case to record what they have agreed upon by way of acknowledgment, settlement, or otherwise in the case minutes, and the court shall issue a deed thereof," and Paragraph (1) of Article (70) of the Implementing Regulations of the Law of Sharia Procedures issued by Resolution of the Minister of Justice No. (39933) dated 19/05/1435 AH, provides that: "If the agreement occurs before recording the case, the substance of the case and the answer must be recorded before writing down the agreement, while taking into account that the core of the case falls within the jurisdiction of the circuit, even if the substance of the agreement falls within the jurisdiction of another court or circuit, provided that the subject matter of the case or part thereof is among what is agreed upon," and based on the foregoing, and whereas the Authority's request to abandon its appeal toward this item appeared in accordance with its supplementary memorandum, which contains the following text: "The Authority wishes to inform the esteemed Circuit of the withdrawal of its appeal regarding the above-mentioned item specifically and the procedures resulting from the Authority's appeal, in accordance with what the rationale of the Resolution Circuit's decision concluded."; the matter with which the Circuit concludes to accepting the abandonment of litigation regarding the Authority's appeal on the item of (Withholding Tax on Royalties for the year 2009).

And whereas, with respect to the appeal of the Authority and the taxpayer regarding the remaining items subject matter of the case, and whereas the Circuit shall not be censured for adopting the grounds of the contested decision without addition thereto whenever it deems that those grounds dispense with the presentation of anything new, because in its affirmation thereof based on what those grounds contained, it is confirmed that it did not find among the challenges directed against the decision anything that deserves a response more than what those grounds included; and since that was the case, and as it is established that the decision subject matter of the appeal concerning the dispute over the contested items came in conformity with the sound grounds upon which it was built and which are sufficient to support its judgment, given that the circuit that issued it undertook the scrutiny of the locus of the dispute therein and concluded in its regard to the result it reached in its operative part; and whereas this Circuit has not noticed anything that requires rectification or comment in light of the defenses raised before it; the matter with which this Circuit concludes to the Rejection of the appeal of the Authority and the taxpayer and the affirmation of the decision of the Resolution Circuit subject matter of the appeal as to the result it reached regarding the remaining items subject matter of the case, built upon its grounds.

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

Decision

First: Acceptance of the appeal procedurally, filed by the taxpayer / (...) Company, Commercial Registration No. (...), Tax Identification No. (...), and the appeal filed by the Zakat, Tax and Customs Authority, against Decision No. (IR-2022-235) issued by the First Appeal Circuit for Income Tax Violations and Disputes in Case No. (ZI-2020-26185) concerning the Zakat and tax assessment for the years from 2006 to 2012.

Second: On the merits:

1- With respect to the taxpayer's appeal concerning the item of (Lapse of the prescribed period for the years from 2006 to 2010):
    a. Recording the settlement of the dispute regarding the taxpayer's appeal on the item of (the lapse of the prescribed period exclusively on Zakat and income tax for the years from 2006 to 2010).
    b. Rejection of the taxpayer's appeal regarding the item of (Withholding Tax).
2- Recording the settlement of the dispute regarding the appeal filed by both parties on the item of (Deemed Profits on Imports for the years 2011 and 2012).
3- Amendment of the decision of the Resolution Circuit regarding the appeal filed by both parties on the item of (Late Payment Penalty).
4- Acceptance of the taxpayer’s appeal and annulment of the decision of the Resolution Circuit regarding the item of (Customs Duties for the year 2011).
5- Acceptance of the taxpayer’s appeal and annulment of the decision of the Resolution Circuit regarding the item of (Withholding Tax on Technical Services).
6- Recording the settlement of the dispute regarding the taxpayer's appeal on the item of (Deduction of Withholding Tax on Technical Services).
7- Rejection of the taxpayer's appeal and affirmation of the decision of the Resolution Circuit regarding the item of (Withholding Tax on Other Payments for the years 2009 and 2010).

8- Rejection of the Authority's appeal and affirmation of the decision of the Resolution Circuit regarding the item of (Depreciation Differences and Other Fixed Asset Adjustments for the years 2011 and 2012).
9- Rejection of the Authority's appeal and affirmation of the decision of the Resolution Circuit regarding the item of (Donations for the year 2012).
10- Acceptance of the Authority's appeal and annulment of the decision of the Resolution Circuit regarding the item of (Utilized Provisions for the years 2011 and 2012).
11- Acceptance of the abandonment of litigation regarding the Authority's appeal on the item of (Withholding Tax on Revenue for the year 2009).
12- Rejection of the Authority's appeal and affirmation of the decision of the Resolution Circuit regarding the item of (Withholding Tax on Capital Gains for the year 2009).

Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes

Decision No IR-2025-245796

Case No. W-2024-245796

Keywords:

Withholding Tax – Acceptance of the taxpayer's appeal – Annulment of the decision of the Resolution Circuit regarding the item of (Withholding Tax) – Annulment of the late payment penalty consequential to the annulment of the decision.

Summary:

The Taxpayer's appeal against the Appellee relating to income tax, whereas his objection centered on the Resolution Circuit's decision which ruled to reject his lawsuit regarding the withholding tax assessment and late payment penalty. The Taxpayer clarified that he statutorily settled the tax based on the actual payment to the non-resident entity, and that the issue resulted from an unintentional error in recording the name in the return. And whereas the Appeal Circuit relied on the Taxpayer's submission of contracts, invoices, and bank statements which proved his actual payment and remittance of the due tax to prevent double taxation, and because the accessory falls with the fall of the principal obligation; the implication of this is: acceptance of the appeal procedurally, and on the merits by accepting it and annulling the Resolution Circuit's decision regarding the withholding tax and late payment penalty items.

Document

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

Facts:

This is to consider the appeal filed on 05/11/2024 AD, by/ (...), Resident ID No. (...), in his capacity as the legal representative of the appellant company pursuant to the Articles of Association, against the decision of the First Circuit for the Adjudication of Income Tax Violations and Disputes in Dammam City, No. (IZD-2024-231744), issued in Case No. (W-2024-231744) concerning the withholding tax assessment for the month of December of the year 2018 AD, in the case filed by the taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

1- Rejection of the plaintiff's objection regarding the item of imposing withholding tax on amounts paid to entities resident in France, given that the transactions/payments to the non-resident supplier ((...) Company) were from the month of December of the year 2018 AD.
2- Rejection of the plaintiff's objection regarding the item of the late payment penalty.

And whereas this decision did not meet with the acceptance of the taxpayer, it filed an appeal brief which was reviewed by the Circuit and contained the substance of the following:

With respect to the taxpayer's appeal concerning the item of (Withholding Tax on Amounts Paid to Resident Entities), the taxpayer demands the annulment of the Circuit's decision regarding this item and states that it submitted its income tax return for the fiscal year ended for the year 2018 AD, wherein an expense in the amount of (1,020,000) Riyals from (...) Company was recorded, and the expense was recognized in the financial statements on an accrual basis, and the actual payment was made in November 2019 AD and December 2019 AD in accordance with Article (63) of the Regulations. The company disclosed and settled the withholding tax for these payments in the withholding tax returns for the months of November and December of the year 2019 AD in the amount of (836,450.57) Riyals and the amount of (506,434.67) Riyals, and calculated withholding tax at a rate of (15%) in the amount of (75,965.20) Riyals and (125,467.59) Riyals respectively. It further states that within the withholding tax return, the name of ((...) Company) was mentioned by an unintentional error and that the correct name is (...). The taxpayer points out that the Authority issued the withholding tax assessment for the month of December 2018 AD and imposed withholding tax on the expenses reported from (...) under the pretext of non-settlement of withholding tax on payments to (...) during the fiscal year of 2018 AD, and emphasizes that the withholding tax was settled based on the actual payment date, and the bank statements illustrating the payments were submitted. It also states in its appeal brief that it attached a copy of the invoices issued by (...) Company, and accordingly confirms its application of the (15%) rate for withholding tax on the paid amounts, given that (...) Company is a related party to the company, and that the imposition of withholding tax once again on the same payments would constitute double taxation on the same installment; accordingly, it demands the annulment of the Authority's procedure for the month of December of the year 2018 AD. With respect to the taxpayer's appeal on the item of (Late Payment Penalty), the taxpayer demands the annulment of the Circuit's decision regarding this item on the basis of its demand to annual the penalty imposed on the withholding tax which was incorrectly assessed.

And on Monday, corresponding to 12/05/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its session at exactly 12:40 PM in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with the remote litigation procedures; based on what is stated in Paragraph (1) of Article Fifteen of the Rules of Operation for Zakat, Tax and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH. Upon calling on the litigants, appeared/ (...), National ID No. (...), in his capacity as the agent for the appellant pursuant to Power of Attorney No. (...) issued on 18/06/1445 AH, and Advocacy License No. (...). Appeared the representative of the appellee/ (...), (National ID No. ...), pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (...) dated 19/03/1445 AH. Upon asking the Appellant's representative what he wishes to add, he stated that he adheres to what was previously submitted in this lawsuit. By presenting this to the Appellee's representative, he answered by adhering to what was previously submitted in this lawsuit. Upon asking both parties what they wish to add, they decided to be satisfied with what was previously submitted. And after closing the hearing of pleadings and deliberation

Grounds

And whereas by reviewing the lawsuit documents and the appeal brief submitted by the taxpayer, it became evident to the Circuit that the conditions for considering the appeal procedurally have been fulfilled in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; a matter with which the appeal request is procedurally acceptable for being submitted by a party with standing, and within the statutory period prescribed for its execution.

On the merits, and with respect to the taxpayer's appeal concerning the item of (Withholding Tax on Amounts Paid to Resident Entities); and based on Paragraph (1) of Article (63) of the Implementing Regulations of the Income Tax Law, which provides that: "A non-resident is subject to tax on any amount obtained from any source in the Kingdom, and the tax shall be withheld from the gross amount in accordance with the following rates: ... royalty or proceeds, payments for technical or advisory services or international telephone communication services paid to the head office or an associated company at a rate of 15%"; and based on the foregoing, whereas the dispute lies in the taxpayer's demand not to subject the amounts in dispute to withholding tax for December 2018 AD on the basis that it correctly settled the withholding tax on the payments of (...) Company, and considering that the Authority, in its procedure, imposed withholding tax at a rate of (15%) on the expenses for December 2018 AD without taking the actual payment date into account; and whereas it states that the actual payment was made to (...) Company in the amount of (1,013,637) Riyals during the months of November and December of the year 2019 AD based on the invoices that were received, and that the withholding tax was paid thereon, while the Authority argues that it imposed the withholding tax on the amounts charged as an expense in the tax return (...) in the amount of (1,020,000) Riyals for the year 2018 AD, given that the expense charged in the return and upon which the Authority applied the withholding tax differs from the submitted statement; and upon the Circuit's review of the case file, the invoices issued by (...) Company along with the receipts proving payment, in addition to the contract with (...) Company, it became evident to the Circuit that the taxpayer recorded an expense for shared services and only settled the withholding tax on the basis of actual payment to it, and from the reality of the submitted documents, it is clear that it made the actual payment in November and December 2019 AD and settled this tax while providing proof of its payment by virtue of the attached bank statements; furthermore, its recording of the company name (...) occurred by error, which is clear from the reality of the contract that these amounts belong to (...) Company; accordingly, and whereas the taxpayer has submitted documents illustrating the validity of its defense, the Circuit consequently concludes to accept the taxpayer's appeal and annul the decision of the Resolution Circuit regarding the item of (Withholding Tax on Amounts Paid to Resident Entities).

With respect to the taxpayer's appeal on the item of (Late Payment Penalty), based on the foregoing, and whereas the opinion of the Circuit regarding the item of (Withholding Tax on Amounts Paid to Resident Entities) has concluded to accept the taxpayer's appeal and annul the decision of the Resolution Circuit, and applying the jurisprudential maxim "the accessory follows the principal"; the Circuit consequently concludes to accept the taxpayer's appeal and annul the decision of the Resolution Circuit regarding the item of (Late Payment Penalty).

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

Decision

First: Acceptance of the appeal procedurally, filed by the taxpayer / (...) Company, Commercial Registration No. (...), Tax Identification No. (...), against the decision of the First Circuit for the Adjudication of Income Tax Violations and Disputes in Dammam City, No. (IZD-2024-231744), issued in Case No. (W-2024-231744) concerning the withholding tax assessment for the month of December of the year 2018 AD.

Second: On the merits:

1- Acceptance of the taxpayer’s appeal and annulment of the decision of the Resolution Circuit regarding the item of (Withholding Tax on Amounts Paid to Resident Entities).

2- Acceptance of the taxpayer’s appeal and annulment of the decision of the Resolution Circuit regarding the item of (Late Payment Penalty).

Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes

Decision No IR-2025-246500

Case No. W-2024-24650

Keywords:

Withholding Tax – Withholding tax at a rate of 15% – Partial acceptance of the Taxpayer's appeal – Annulment of the decision of the Resolution Circuit regarding the item of (Withholding Tax on Non-Resident Entities) – Amending the late payment penalty consequential to the annulment of the decision – Upholding the Resolution Circuit's decision in all other respects.

Summary:

The Taxpayer's appeal against the Appellee relating to income tax, whereas his objection centered on the Resolution Circuit's decision which ruled to reject his objection regarding the withholding tax assessments, classification of services, and late payment penalties for the year 2015. The Taxpayer clarified that the amounts were transferred to unrelated external entities for providing technical and consulting services, which necessitates subjecting them to a rate of 5% instead of 15% due to the statutory absence of a relationship of control and affiliation. And whereas the Appeal Circuit relied on the Taxpayer's submission of an analytical breakdown and a sample of contracts which proved the validity of his defenses regarding the non-existence of a related-party relationship concerning some of those non-resident entities, while upholding the Resolution Circuit's decision regarding the incorrect classification item due to the soundness and authoritativeness of its grounds, and the proven correctness of imposing the late payment penalty from the due date on the rejected portion, and its fall from the accepted portion due to the fall of the principal tax; the implication of this is: acceptance of the appeal procedurally, and on the merits by accepting it partially and annulling the Resolution Circuit's decision within the limits of the entities whose independence was proven, upholding it regarding the classification item, and amending the late payment penalty.

Document

- The Rules of Operation for Zakat, Tax and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH.
- Article (5) – Paragraph (C/1) of Article (64) – Paragraph (A – F) of Article (68) – Paragraph (A) of Article (77) of the Income Tax Law, issued by Royal Decree No. (M/1) dated 15/01/1425 AH.

- Paragraph (3) of Article (67) – Paragraph (2) of Article (71) of the Implementing Regulations of the Income Tax Law, issued by Ministerial Resolution No. (1535) dated 11/06/1425 AH.

Facts:

This is to consider the appeal filed on 04/12/2024 AD, by/ (...), National ID No. (...), in his capacity as the agent for the appellant company pursuant to Power of Attorney No. (...) dated 13/08/1443 AH and Advocacy License No. (...), against the decision of the Second Circuit for the Adjudication of Income Tax Violations and Disputes in Riyadh City, No. (ISR-2024-239299), issued in Case No. (W-2024-239299) concerning the withholding tax assessments for the period from January to December of the year 2015 AD, in the case filed by the appellant against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

First: Acceptance of the case filed by the plaintiff / (...) Company, Commercial Registration No. (...), against the defendant / Zakat, Tax and Customs Authority, procedurally.

Second: On the merits:

1- Rejection of the plaintiff's objection and affirmation of the defendant's decision regarding the imposition of withholding tax at a rate of 15% instead of 5% on amounts paid to unrelated entities against technical and advisory services, amounting to 2,896,618.40 Riyals for the fiscal periods from January to December 2015 AD.
2- Establishing the settlement of the dispute upon the plaintiff's acceptance of the defendant's procedure regarding the item of allocating the paid amounts for the months of June and July of the year 2015 AD in the amount of 242,741.75 Riyals and the amount of 64,895.10 Riyals respectively, in accordance with what is stated in the grounds.
3- Rejection of the plaintiff's objection and affirmation of the defendant's decision regarding the incorrect classification by the plaintiff of the amounts paid to non-resident entities against technical and advisory services for the month of September 2015 AD.
4- Rejection of the plaintiff's objection and affirmation of the defendant's decision regarding the imposition of the late payment penalty from the expiration date of the deadline specified for the submission of returns for the fiscal periods from January to December of the year 2015 AD.

And whereas this decision did not meet the acceptance of the taxpayer, it filed an appeal brief which was reviewed by the Circuit and contained the substance of the following: With respect to the item of (Withholding Tax Differences in the amount of 2,896,618.40 Riyals for the fiscal periods of the months from January 2015 AD to the month of December 2015 AD on amounts paid to unrelated entities against technical and advisory services for withholding tax at a rate of 15% instead of 5%), the taxpayer demands the annulment of the Circuit’s decision regarding this item on the basis that these payments, which the Authority subjected to withholding tax at a rate of 15%, were provided to unrelated entities and are therefore subject to withholding tax at a rate of 5% and not 15% pursuant to the text of Article (68) of the Implementing Regulations of the

Income Tax Law. Furthermore, Article (64) of the Income Tax Law has clearly and explicitly defined associated persons and specified in Paragraph (C) when companies are deemed associated, and differentiated between associated persons in the case of capital companies and partnerships, whereby Paragraph (C-1) thereof applies to the company as it relates to partnerships, which is what applies to the company; accordingly, the company is a partnership and does not own any share in any of the (...) network of companies around the world and is not owned by any of those companies. Therefore, the company demands the annulment of the withholding tax differences imposed by the Authority as a result of subjecting the payments made by the company to (...) companies around the world, which were imposed by the Authority on the company, amounting to 2,896,618.40 Riyals. With respect to the item of (Late Payment Penalty), the taxpayer argues that it submitted the tax returns within the prescribed statutory period, and that the late payment penalties that arose due to the tax difference resulted from errors and differences in viewpoints and not from an intentional failure to pay the tax on the statutory date; consequently, the taxpayer demands the annulment of any additional tax liability resulting therefrom, which shall not be subject to the late payment penalty except upon the issuance of a final decision in accordance with the provisions of Paragraph (A) of Article (77) of the Income Tax Law, whereby the taxpayer guided itself by several appeal decisions within its statement of case. Accordingly, the taxpayer requests the acceptance of its appeal and the reversal of the Resolution Circuit's decision regarding the items subject to the appeal for the aforementioned grounds.

And on Tuesday, corresponding to 18/03/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its session at exactly 04:04 PM in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with the remote litigation procedures; based on what is stated in Paragraph (1) of Article (15) of the Rules of Operation for Zakat, Tax and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH. Upon calling on the litigants, appeared/ (...), National ID No. (...), in his capacity as the agent for the appellant pursuant to Power of Attorney No. (...) issued on 13/08/1443 AH, and Advocacy License No. (...). Appeared the representative of the appellee/ (...), (National ID No. ...), pursuant to an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs and Compliance under No. (...) dated 19/03/1445 AD. Upon asking the Appellee's representative what he wishes to add, she stated that he adheres to what was previously submitted in this lawsuit. By presenting this to the Appellant's representative, he answered by adhering to what was previously submitted in this lawsuit. Upon asking both parties what they wish to add, they decided to be satisfied with what was previously submitted. And after closing the hearing of pleadings and deliberation.

Grounds

And whereas by reviewing the lawsuit documents and the appeal brief submitted by the taxpayer, it became evident to the Circuit that the conditions for considering the appeal procedurally have been fulfilled in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; a matter with which the appeal request is procedurally acceptable for being submitted by a party with standing, and within the statutory period prescribed for its execution.

On the merits, and with respect to the taxpayer's appeal concerning the item of (Withholding Tax Differences in the amount of 2,896,618.40 Riyals for the fiscal periods of the months from January 2015 AD to the month of December 2015 AD on amounts paid to unrelated entities against technical and advisory services for withholding tax at a rate of 15% instead of 5%); and whereas Paragraph (C-1) of Article (64) of the Income Tax Law issued by Royal Decree No. (M/1) dated 15/01/1425 AH provides that: "C. Companies or entities are considered to be under common control if they are controlled at fifty percent (50%) or more by the same person or by associated persons in accordance with this Article as follows: 1- With respect to partnerships, control means the direct or indirect ownership of the rights to their income or capital through a subsidiary company or companies of any type whatsoever."; 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 provides as follows: "Without prejudice to Paragraphs (F, G) of this Article, if an amount is paid to a non-resident and tax is withheld from it in accordance with the provisions of this Article, such tax shall be final, taking into account that no other tax shall be 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 provides: "If the amount referred to in the Article is paid to a non-resident doing business in the Kingdom through a permanent establishment, and this amount paid to him is directly related to the business carried on by the permanent establishment, and this amount is calculated in determining the tax base of the non-resident."; 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 provides: "Every resident, whether a taxpayer or not under this Law, and a permanent establishment in the Kingdom of a non-resident, who pays an amount to a non-resident from a source in the Kingdom, must withhold tax from the paid amount in accordance with the following rates: 6- Any other payments specified by the Regulations."; and based on Article (5) of the Income Tax Law, which provides: "Income shall be considered realized 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 an associated company."; and based on Paragraph (C) of Article (5) of the Income Tax Law, which provides: "For the purposes of this Article, an amount paid by a permanent establishment in the Kingdom to a non-resident shall be treated as if paid by a resident company."; and based on Paragraph (1) of Article (63) of the Implementing Regulations of the Income Tax Law, which provides as follows: "1- A non-resident is subject to tax on any amount obtained from any source in the Kingdom, and the tax shall be withheld from the gross amount in accordance with the following rates: - Payments for technical or advisory services or international telephone communication services paid to the head office or an associated company... at a rate of 15%." Based on the foregoing, and whereas the taxpayer demands 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 entities and are therefore subject to withholding tax at a rate of 5% and not 15%

since the provisions of Paragraph (C-1) of Article (64) do not apply to them; and upon reviewing the case file, it is evident that the challenged decision of the Circuit concluded to reject the taxpayer's objection due to the taxpayer's failure to submit an analytical statement of the payments to the non-resident entities that carried out withholding at the rate of (5%) to verify that the non-resident entities are not related to the plaintiff; and upon reviewing the taxpayer's appeal brief, it is evident that it included an analytical statement of the payments to the non-resident entities, and it also submitted a sample of the contracts for both (... - for each of (Egypt, Lebanon, Kuwait)), through which the validity of the taxpayer's defense is made clear regarding the absence of an associative relationship that would render those services subject to withholding tax at a rate of 15% and the absence of control with respect to those contracts; accordingly, the Circuit consequently concludes to accept the taxpayer's appeal and annul the decision of the Resolution Circuit with respect to ((... - Lebanon - Kuwait) companies) and reject anything other than that.

With respect to the taxpayer's appeal concerning the item of (Late Payment Penalty); and whereas Paragraph (A) of Article (77) of the Income Tax Law issued by Royal Decree No. (M/1) dated 15/01/1425 AH provides: "In addition to the penalties provided for in Article Seventy-Six of this Law and in Paragraph (B) of this Article, the taxpayer shall pay a late payment penalty at the rate of one percent (1%) of the unpaid tax for every thirty days of delay, and this includes delay in paying the tax required to be withheld and accelerated payments, and it shall be calculated from the due date of the tax to the date of payment."; and whereas Paragraph (C) of Article (68) of the Income Tax Law issued by Royal Decree No. (M/1) dated 15/01/1425 AH provides: "The person responsible under this Article for withholding the tax shall be personally liable to pay the value of the unpaid tax and the late payment penalties arising therefrom in accordance with Paragraph (A) of Article Seventy-Seven of this Law if any of the following cases apply to him: 1- If he does not withhold the tax as required. 2- If he withholds the tax but does not pay it to the Authority as required. 3- If he does not submit the withholding statements to the Authority as required by Sub-paragraph Three of Paragraph (B) of this Article."; and whereas Paragraph (3) of Article (67) of the Implementing Regulations of the Income Tax Law issued by Ministerial Decision No. (1535) dated 11/06/1425 AH provides: "Unpaid tax means the difference between what the taxpayer paid on the statutory deadline and the tax due for payment under the provisions of the Law, and it includes the adjustments made by the Authority which have become final as provided in Paragraph (2) of Article Seventy-One of these Regulations, including the objected 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 rate of the withholding tax difference at a rate of 5% paid by the taxpayer instead of 15% imposed by the Authority, and did not arise from a significant difference in the interpretation of the statutory provisions; accordingly, the validity of the Authority's procedure in imposing the late payment penalty from the due date is clear. And whereas the Circuit has concluded in the item above to accept the taxpayer's appeal in part, it is clear there with the validity of imposing the late payment penalty from the due date on the portion where the taxpayer's appeal was rejected, and the annulment of the late payment penalty on the portion where the taxpayer's appeal was accepted due to the extinguishment of the principal tax imposition; accordingly, the Circuit consequently concludes to accept the taxpayer's appeal in part and amend the decision of the Resolution Circuit with respect to the item of (Late Payment Penalty).

With respect to the taxpayer's appeal concerning the item of (Incorrect Classification of Non-Resident Entities Benefiting from Payments against Technical Services for the Month of September 2015 AD); and after the Circuit reviewed the appeal, and whereas there is no blame upon the Circuit in adopting the grounds of the challenged decision without adding thereto whenever it deems that those grounds dispense with the introduction of any new matter, because by affirming it based on what those grounds contained, it is confirmed therewith that it did not find in the challenges directed against the decision anything that merits a response more than what those grounds included; and since that is so, and it is established that the challenged decision regarding the dispute over the items subject to appeal came in agreement with the valid grounds upon which it was built and which are sufficient to support its judgment, as the circuit that issued it took charge of examining the core of the dispute therein and concluded regarding it to the outcome reached in its operative part; and whereas this Circuit has not noticed anything that requires revision or comment in light of the raised defenses submitted before it; accordingly, this Circuit consequently concludes to reject the taxpayer's appeal and affirm the decision of the Resolution Circuit subject of the appeal in the outcome it reached regarding this item, based on its grounds.

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

Decision

First: Acceptance of the appeal procedurally, filed by the taxpayer / (...) Company, Commercial Registration No. (...), Tax Identification No. (...), against the decision of the Second Circuit for the Adjudication of Income Tax Violations and Disputes in Riyadh City, No. (ISR-2024-239299), issued in Case No. (W-2024-239299) concerning the withholding tax assessments for the period from January to December of the year 2015 AD.

Second: On the merits:

1- With respect to the taxpayer's appeal concerning the item of (Withholding Tax Differences in the amount of 2,896,618.40 Riyals for the fiscal periods of the months from January 2015 AD to the month of December 2015 AD on amounts paid to unrelated entities against technical and advisory services for withholding tax at a rate of 15% instead of 5%):
    a. Acceptance of the taxpayer’s appeal and annulment of the decision of the Resolution Circuit with respect to ((...) companies) and rejecting anything other than that.
2- Rejection of the taxpayer’s appeal and Affirmation of the Resolution Circuit’s Decision regarding the item of (Incorrect Classification of Non-Resident Entities Benefiting from Payments against Technical Services for the Month of September 2015 AD).

3- Partial acceptance of the Taxpayer's appeal and amendment of the decision of the Resolution Circuit regarding the item of (Late Payment Penalty).

Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Income Tax Violations and Disputes

Decision No IR-2025-234645

Case No. IW-2024-234645

Keywords:

Withholding Tax – Withholding tax at a rate of 15% – Partial acceptance of the Taxpayer's appeal – Annulment of the decision of the Resolution Circuit regarding the item of (Withholding Tax on Non-Resident Entities) – Amendment of the late payment penalty consequential to the annulment of the decision – Upholding the Resolution Circuit's decision in all other respects.

Summary:

The Administration's appeal against the Taxpayer relating to income tax, whereas its objection centered on the Resolution Circuit's decision which ruled to accept the Taxpayer's objection regarding the assessment items for the years from 2015 to 2019. The Administration clarified the existence of material differences in undeclared revenues for service contracts executed inside the Kingdom through a permanent establishment of a non-resident, which necessitates imposing income tax, withholding tax, and penalties. And whereas the Appeal Circuit relied on the proven local provision of the services in accordance with the letters of the benefiting entity, and the Taxpayer's failure to submit what proves the inclusion of them in his returns, and because the late payment penalty in the estimated assessment is calculated from the date of the notice due to the impossibility of knowing the differences and paying them prior to that; the implication of this is: acceptance of the appeal procedurally, and on the merits by accepting it regarding the assessment items, annulling the Resolution Circuit's decision, and amending it partially.

Document

- The Rules of Operation for Zakat, Tax and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH.
- Paragraph (B/4) of Article (4) – Paragraph (A/10) of Article (5) – Paragraph (A) of Article (77) of Income Tax Law, issued by Royal Decree No. (M/1) dated 15/01/1425 AH.
- Paragraph (1) of Article (63) – 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.

Facts:

This is to consider the appeal filed on 04/04/2024 AD, by the Zakat, Tax and Customs Authority, against the decision of the First Circuit for the Adjudication of Income Tax Violations and Disputes in the Governorate of Jeddah, No. (IZJ-2024-168951), issued in Case No. (IW-2023-168951) concerning the tax assessment for the years from 2015 AD to 2019 AD, in the case filed by the taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

1- Rejection of the plaintiff's objection regarding the item of failing to state the reasons for modification in the assessment notice for the years from 2015 AD to 2019 AD.
2- Acceptance of the plaintiff's objection regarding the item of adding unrecognized revenues to the tax base for the years from 2015 AD to 2019 AD.
3- Acceptance of the plaintiff's objection regarding the item of withholding tax on constructive dividend distributions for the years from 2015 AD to 2019 AD.
4- Acceptance of the plaintiff's objection regarding the item of disallowing the overpaid tax for the years 2015 AD and 2016 AD.
5- Acceptance of the plaintiff's objection regarding the item of late payment penalties for the years from 2015 AD to 2019 AD.

And whereas this decision did not meet the acceptance of the appellant (the Zakat, Tax and Customs Authority), it filed an appeal brief containing a summary of the following:

As the Authority objects to the challenged decision of the Resolution Circuit, it claims that with respect to the item of (Adding Unrecognized Revenues to the Tax Base), the Authority demands the annulment of the Circuit’s decision regarding this item. The Authority clarifies that upon reviewing the contract revenues included in the taxpayer’s returns for the years subject of the case and comparing them with the contracts of (...), it became evident that material differences exist. The Authority addressed (...) to provide information regarding those contracts—revenues due and paid—based on the powers granted to it under the provisions of Paragraph (A) of Article (61) of the Income Tax Law issued by Royal Decree No. (M/1) dated 15/1/1425 AH. A reply was received from (...) via letter No. (...) dated 29/03/1442 AH, clarifying therein the value of the contracts executed during the years from 2015 AD to 2020 AD. Accordingly, the Authority added the value of the undeclared contracts for the years subject of the case. The Authority prepared a draft reassessment, clarifying the nature of the modifications it made, and sent it to the taxpayer, in accordance with the provisions of Paragraph (7) of Article (59) of the Implementing Regulations of the Income Tax Law, whereby the Authority notified the taxpayer that the modifications were made based on the existence of undeclared contract revenues with (...). As for the taxpayer's demand not to subject the works performed by the head office to tax in the Kingdom on the consideration that their execution took place abroad, the Authority replies that the branch (the taxpayer) carries out the same activity as the head office; therefore, these amounts are subject to income tax since they were realized through a permanent establishment of a non-resident based on the provisions of Paragraph (10/A) of Article (5) of the Income Tax Law. It is clearly evident that the branch represents a permanent establishment of a non-resident in the Kingdom, as stipulated by the provisions of the article mentioned above, and based on the provisions of Paragraph (B/4) of Article (4) of the Income Tax Law. In view of what has been detailed above, the taxpayer's objection was dismissed. Regarding what the taxpayer indicated in its statement of case, it violates the statutory grounds explained above, which proves the validity of the Authority's procedure in dismissing the taxpayer's objection, and the Authority affirms the validity and legality of its procedure in accordance with the statutory requirements. Regarding the Circuit's ruling that the defendant (the Authority) did not submit evidence proving that the taxpayer is a branch of (...) Company, the Authority replies that regardless of the foreign entity or company with which (...) contracted, and whether the taxpayer is considered a direct branch of the contracting company or a branch within the group owned by the contracting company, the taxpayer was held accountable only for the works and services performed inside the Kingdom which were actually executed by the taxpayer, according to the letters of (...). Indeed, the text of the letters from (...)—in which the value of the contracts and the mechanism of execution were specified—stated that "the relevant services are provided inside the Kingdom through (...) Company – Tax Identification No. (...)". This confirms that the taxpayer is the one that executed the works performed inside the Kingdom, and no accountability was imposed for the works carried out by the foreign entity. The Authority also presents an excerpt from the letter received from the Ministry of Defense under No. (...) dated 29/03/1442 AH, which explicitly stated that these services were provided by (...) Company, as illustrated in Attachment No. (1), and it attached a list detailing the contracts as illustrated in Attachment No. (2). Accordingly, the Authority did not subject the supply contracts within the assessment based on Paragraph (7) of Article Five of the Implementing Regulations of the Income Tax Law, which provides that: "7- Contracts for the supply of goods to the Kingdom, including contracts for their shipment and insurance, shall not be deemed to have arisen from an activity performed in the Kingdom unless the contracts include associated works such as internal transport, installation, maintenance, training, and the like carried out inside the Kingdom; in which case, the associated works only shall be deemed to have arisen from an activity in the Kingdom." The Authority clarifies that during the assessment and after visiting (...), inquiries were made regarding all contractings with (...) Company, and the services and works performed by the branch inside the Kingdom were identified by (...) as well as the taxpayer, while excluding the revenues recognized in the taxpayer's return so that the amount would not be duplicated; accordingly, the Authority held accountability for the differences only. With respect to the item of (Withholding Tax on Constructive Dividend Distributions), the Authority demands the annulment of the Circuit's decision regarding this item, as it became clear that the profits belong to the parent company, which is a non-resident company carrying out activity in the Kingdom of Saudi Arabia through a permanent establishment, as explained in item No. (1); therefore, those profits will be transferred to the permanent establishment. Based on the provisions of Paragraph (1) of Article (63) of the Implementing Regulations of the Income Tax Law, which provides that: "A non-resident who does not have a permanent establishment is subject to tax on any amount obtained from any source in the Kingdom, and the tax shall be withheld from the gross..." In accordance with what has been explained above, the Authority appeals against the Circuit's decision where undeclared contracts appeared by the taxpayer, and accordingly, a withholding tax was imposed on the constructive profits resulting from the undeclared contracts at a rate of (5%). With respect to the item of (Late Payment Penalty), the Authority demands the annulment of the Circuit's decision regarding this item, as the Authority imposed the late payment penalty on the tax differences that were not paid on the statutory deadline, based on Paragraph (A) of Article No. (77) of the Income Tax Law, and also based on Article (68), Paragraph (1/B) of the Implementing Regulations of the Income Tax Law. Accordingly, the Authority demands the acceptance of its appeal and the reversal of the Resolution Circuit's decision for the aforementioned grounds.

On Tuesday, 03/12/2024 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with the procedures of remote visual litigation; based on what is stated in Item No. (1) of Article Fifteen of the Rules of Operation for the Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. By calling upon the litigants, there attended / (...), (National ID No. ...), in her capacity as the representative of the Appellant / the Zakat, Tax and Customs Authority, by virtue of an authorization issued by the Deputy Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (...) dated 19/03/1445 AH. And there attended / (...), National ID No. (...), in his capacity as the Appellee's representative by virtue of Power of Attorney No. (...), issued on 01/05/1445 AH, and Law Practice License (...). In this session, the Appellee's representative submitted a letter issued by (...) stating the contracts concluded with his client, and upon asking the Authority's representative for her response to this letter, she stated that she requests a time extension to study the lawsuit and respond to it. She also stated that she had sent a supplementary memorandum to the Circuit yesterday evening. The Circuit requested the Appellee's representative to provide it with a copy of the contract he referred to. Accordingly, the Circuit decided to grant the Authority a period of (10) days to submit what it has, ending on the date: 13/12/2024 AD, and to grant the Taxpayer a period of (10) days to submit his response ending on the date: 23/12/2024 AD. After this date, the hearing of pleadings will be closed, and the lawsuit will be elevated for deliberation and the issuance of the decision, and the Circuit will not accept any new documents or memoranda that were not submitted prior to the aforementioned date. Provided that the next session on 07/01/2025 AD will be a session for pronouncing the decision.

On Tuesday, 07/01/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its session at exactly 12:28 in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with the procedures of remote visual litigation; based on what is stated in Item No. (1) of Article Fifteen of the Rules of Operation for the Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. By calling upon the litigants, there attended the Appellant's representative / (...), (National ID No. ...), by virtue of an authorization issued by the Vice Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (...) dated 19/03/1445 AH, and there attended / (...), National ID No. (...), in his capacity as the Appellee's representative by virtue of Power of Attorney No. (...), issued on 01/05/1445 AH, and Law Practice License No. (...). And whereas this session is designated for pronouncing the decision, the Circuit accordingly decided to reserve the case for adjudication.

Grounds

And whereas by reviewing the case documents and the appeal brief submitted by the Authority, it became evident to the Circuit that the conditions for considering the appeal procedurally have been fulfilled in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; a matter with which the appeal request is procedurally acceptable for being submitted by a party with standing, and within the statutory period prescribed for its execution.

On the merits, and with respect to the Authority's appeal concerning the item of (Adding Unrecognized Revenues to the Tax Base); and whereas Paragraph (A/10) of Article (5) of the Income Tax Law issued by Royal Decree No. (M/1) dated 15/01/1425 AH provides that: "A- Income shall be considered realized 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 located in the Kingdom, including income from sales in the Kingdom of goods of the same or similar type as those sold by the non-resident through the permanent establishment, and income arising from rendering services or performing any other activity in the Kingdom of the same or similar nature to the activity performed by the non-resident through the permanent establishment."; and whereas Paragraph (B/4) of Article (4) of the same Law provides that: "B- The following cases shall be considered a permanent establishment: 1- Construction sites, assembly facilities, and the exercise of supervisory activities related thereto. 2- Installations and sites used for exploration of natural resources, drilling equipment, and ships used for exploration of 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 authorized to do 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 from 2015 AD to 2019 AD based on the letter of (...) No. (...) dated 07/10/1442 AH and its attachments, which explicitly stated that the services contained in the letter were provided by (...) Company —the taxpayer—; and upon reviewing the case file, it is evident through the aforementioned letter and its attachments—which include details of the supplies and services in the contracts concluded between (...) and (...) Company contained in the taxpayer's letters addressed to (...)—that they provided the following: "the relevant services are provided inside the Kingdom through (...) Company". This illustrates the validity of the Authority's defense regarding the existence of revenues against services provided by the taxpayer that were not declared in its returns for the years subject of the dispute. This conclusion is not undermined by what was ruled in the Resolution Circuit's decision accepting the taxpayer's objection on the grounds that the Authority did not submit evidence proving that the taxpayer is a branch of (...) Company, the primary contractor with (...), since the core of the dispute is holding the taxpayer accountable for the services provided by it based on what was contained in the letter of (...) referred to above, regardless of the foreign entity with which (...) contracted. Furthermore, as for the taxpayer's statement in its supplementary memorandum dated 03/12/2024 AD regarding the assertion that (...) Company —the taxpayer— did not conclude except one contract with (...) dated 01/09/2019 AD, this does not negate what the taxpayer admitted regarding its provision of services related to the contracts concluded between (...) and (...). Moreover, the taxpayer did not submit evidence proving that what it declared in its tax returns for the years subject of the dispute includes all the services provided by (...) Company. With respect to what the taxpayer indicated regarding the Authority subjecting the full revenues under each contract including the supply of goods, upon reviewing the letter of (...) No. (...) issued on 29/03/1442 AH—which clarifies the nature and value of the services provided by (...) Company—it became clear from the table attached to the letter that the taxpayer was not held accountable for the full value of the contracts as claimed by the taxpayer; accordingly, the Circuit consequently concludes to accept the Authority's appeal with respect to the item of adding unrecognized revenues to the tax base. With respect to the Authority's appeal concerning the item of (Withholding Tax on Constructive Dividend Distributions); and whereas Paragraph (1) of Article (63) of the Implementing Regulations of the Income Tax Law provides that: "A non-resident is subject to tax on any amount obtained from any source in the Kingdom, and the tax shall be withheld from the gross amount in accordance with the following rates: .... distributed profits at a rate of 5%." Based on the foregoing, it is clear that the Authority's procedure in imposing the withholding tax on constructive dividend distributions resulted from holding the taxpayer accountable on a discretionary basis for revenues that were not disclosed. And whereas this Circuit has concluded in the item (First) concerning the addition of unrecognized revenues to the tax base to accept the Authority's appeal in that item, and accordingly, since the existence of revenues that were not disclosed by the taxpayer has been established as explained above, which illustrates the validity of the Authority's procedure in imposing the withholding tax on constructive profits; the Circuit consequently concludes to accept the Authority's appeal with respect to the item of withholding tax on constructive dividend distributions in the amount of (108,966,388.87) Riyals and annul the decision of the Resolution Circuit.

With respect to the Authority's appeal concerning the item of (Late Payment Penalty); and whereas Paragraph (A) of Article (77) of the Income Tax Law issued by Royal Decree No. (M/1) dated 15/01/1425 AH provides that: "In addition to the penalties provided for in Article Seventy-Six of this Law and in Paragraph (B) of this Article, the taxpayer shall pay a late payment penalty at the rate of one percent (1%) of the unpaid tax for every thirty days of delay, and this includes delay in paying the tax required to be withheld and accelerated payments, and it shall be calculated from the due date of the tax to the date of payment."; and based on Paragraph (1) of Article (68) of the Implementing Regulations of the Income Tax Law issued by Decision (...) No. (...) dated 11/06/1425 AH, which provides that: "There shall be added to the penalties provided for in the preceding Article 1% of the unpaid tax for every thirty days of delay in the following cases: b- Delay in paying the tax due under the Authority's assessment." Based on the foregoing, it is clear that the late payment penalty is calculated from the date the tax becomes due upon the taxpayer; however, in the event that the tax becomes due under a discretionary assessment, the calculation of the late payment penalty shall be from the date of notifying the taxpayer of the tax assessment. This is because the taxpayer is unable to pay the due tax difference under a discretionary assessment except after the Authority issues the assessment subject of the objection; accordingly, the Circuit consequently concludes to amend the decision of the Resolution Circuit by calculating the late payment penalty from the date of the Authority's notice of the discretionary assessment.

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

Decision

First: Acceptance of the appeal procedurally, filed by the appellant / the Zakat, Tax and Customs Authority, against the decision of the First Circuit for Adjudication of Income Tax Violations and Disputes in Jeddah Governorate, bearing 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 with respect to the item of adding unrecognized revenues to the tax base.
2- Acceptance of the Authority's appeal with respect to the item of withholding tax on constructive 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 notice of the discretionary assessment.

Income Tax

Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes

Decision No IR-2025-238626

Case No. IW-2024-238626

Keywords:

Income Tax – Penalties – Rejection of the Authority's Appeal – Rejection of the Taxpayer's Appeal – Affirmation of the Resolution Circuit's Decision.

Summary:

The mutual appeal of the two parties relating to income tax, whereas the objection centered on the Resolution Circuit's decision regarding the tax assessment and late payment penalties. The Taxpayer argued the lapse of the Administration's right to assess due to the statute of limitations, and his entitlement to deduct his expenses and account for the paid amounts, while the Administration adhered to the deficiency of his documents. And whereas the Appeal Circuit relied on the proven connection of the shipping expenses to the taxable internal activity, and the Taxpayer's inability to prove the validity of the rest of his expenses and penalties, and the inadmissibility of accepting new requests at the appeal stage; the implication of this is: acceptance of both appeals procedurally, and on the merits by rejecting them, upholding the Resolution Circuit's decision, and dismissing the new item.

Document

- The Rules of Operation for Zakat, Tax and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH.
- Article (12) of the Income Tax Law, issued by Royal Decree No. (M/1) dated 15/01/1425 AH.
- Article (12) – Paragraph (6) of Article (10) – Paragraph (1) of Article (9) – Paragraph (7) of Article (5) of the Implementing Regulations of the Income Tax Law, issued by Ministerial Resolution No. (1535) dated 11/06/1425 AH.

Facts:

This is to consider the appeal filed on 26/01/2022 AD by (...) Company, Commercial Registration No. (...), and the appeal filed on 11/06/2024 AD by the Zakat, Tax and Customs Authority, against the decision of the Third Circuit for Adjudication of Income Tax Violations and Disputes in Riyadh City, bearing No. (ITR-2024-23706), issued in case No. (IW-2020-23706) concerning the tax assessment for the years from

2009 AD to 2014 AD, submitted by the appellant against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

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

Second: On the merits: Acceptance of the plaintiff's objection and annulment of the defendant's decision with respect to the item of shipping expenses and customs duties.

And whereas the Resolution Circuit issued its aforementioned decision and reheard the case as a result of this Circuit's decision No. (IR-2022-92344); and upon reviewing the case, the Circuit decided to remand the case to the Resolution Circuit to redraft the decision to encompass all items subject of the suit and to return it to the Appeal Circuit including all claims of the plaintiff for adjudication, as the Circuit had not exhausted its judicial jurisdiction to adjudicate all of the plaintiff's claims.

As a result of that request, the First Circuit for Adjudication of Income Tax Violations and Disputes in Jeddah Governorate issued the corrective decision No. (IZJ-2025-23706), rendered in case No. (IW-2020-23706), which ruled as follows:

Procedurally: Acceptance of the objection filed by the plaintiff / (...) Company, (Commercial Registration No. ...), against the decision of the defendant / the Zakat, Tax and Customs Authority.

On the merits:

First: Rejection of the plaintiff's objection with respect to the item of (Penalties Expenses).

Second: Dismissal the item of (Shipping Expenses and Customs Duties).

Third: Dismissal the item of (Depreciation Difference).

Fourth: Rejection of the plaintiff's objection with respect to the item of (Amounts Paid on Account of Tax Due for the Years from 2010 AD to 2014 AD).

Fifth: Rejection of the plaintiff's objection with respect to the item of (Late Payment Penalty).

Sixth: Rejection of the plaintiff's objection with respect to the item of (Statutory Limitation Period for the Tax Assessment for the Year 2009 AD).

Seventh: Acceptance of the plaintiff's objection and annulment of the defendant's decision with respect to the item of shipping expenses and customs duties.

Accordingly, the Circuit decided to resume consideration of the case; and whereas this decision was not met with acceptance by either party, each party submitted an appeal brief, the summary of which contained the following:

Regarding the taxpayer's appeal against the decision of the Resolution Circuit: Its appeal regarding the item of (Penalties Expenses) is based on the argument that the branch submitted all supporting documents for the item of contract Penalties expenses, as evidenced by the fact that the Authority conducted a field examination of the branch's accounts for the years from 2009 AD to 2014 AD and examined in detail during the audit the branch's expenses, which included Penalties. As set out in Paragraph (10) of Page No. (8) of the audit report, these Penalties consist of the following: "The attendees presented General Ledger

Account No. 2434, showing that the total debit side amounted to 312,509,729 Riyals, representing the total Penalties charged by the client (...) Company and supported by invoices specifying the number of days for which Penalties and amounts were calculated; and the credit side of the General Ledger account amounted to 74,377,315 Riyals, representing what was charged to Contractor (...). The attendees presented the company's contract with (...) dated December 2005 AD, including Clause 10/2 stating that if the contractor fails to achieve field acceptance for any work package or the plant as a whole within the agreed period, a late payment penalty shall be calculated for each day of delay according to what was agreed, and the General Ledger account was presented." Without prejudice to the foregoing, the Penalties subject of the dispute is not fundamentally subject to tax pursuant to Article (Thirteen) of the Income Tax Law regarding non-deductible expenses, which affirms that Penalties or financial penalties paid or payable are considered non-deductible. Furthermore, Article (10/6) of the Implementing Regulations of the Income Tax Law concerning non-deductible expenses emphasizes the deduction of financial Penalties incurred due to breach of contractual conditions, such as delay in performance or defective performance Penalties. Based on the above, it is evident that the branch provided the Authority with documents and clarifications confirming that the Penalties resulted from the breach of contractual terms and obligations under the contract signed with (...) Company. Regarding the item of (Amounts Paid on Account of Tax Due for the Years from 2010 AD to 2014 AD), its appeal is based on the argument that (...) Company is a resident company with a branch registered with the Authority, and the company executed a service supply agreement with (...) Company. All contract revenues were included within the branch's accounts in the Kingdom of Saudi Arabia and declared for tax due within tax returns. (...) Company paid the company's dues despite being resident in the Kingdom of Saudi Arabia and subject to income tax rather than withholding tax. Pursuant to Article (68) of the Saudi Income Tax Law, which outlines the treatment to be applied in similar cases, the company deducted the amounts when preparing tax returns for the years 2013 AD and 2014 AD that had previously been withheld by (...) Company from (...) Company's dues. Supporting payment documents—which the branch deducted from the tax returns for the years 2013 AD and 2014 AD—were provided to the Authority and the decision-making committee subject of the appeal. Regarding the item of (Imposition of Withholding Tax on Local Travel Expenses, Site Expenses, Technical and Advisory Services), its appeal is based on the fact that neither the Authority nor the Adjudication Committee addressed the amendment notices related to this item. Regarding the item of (Late Payment Penalty), its appeal is based on the fact that, as part of the Authority's tax amnesty initiative to waive tax penalties, the taxpayer paid and settled the primary tax in order to obtain the waiver of tax penalties while reserving the right to pursue the objection against the decision. Therefore, there should be no discussion regarding late payment penalties for the disputed years. Furthermore, Paragraph (68/A) of the Implementing Regulations of the Law does not apply to the taxpayer's case as it paid the tax due from it, nor does Paragraph (B) of the same Article apply, as the taxpayer is objecting to the Authority's claim which forms the basis for imposing the late payment penalty. Since the taxpayer objected to the principal (the tax), the penalty is implicitly rejected. Numerous decisions issued under the new tax system have supported taxpayers in not incurring late payment penalties where there is a genuine difference in points of view with the Authority and no evidence of bad faith on the part of the taxpayer. The taxpayer also noted the issuance of numerous decisions ruling that late payment penalties are calculated from the date of issuance of the final decision rather than the assessment date. Additionally, should the Committee agree with the tax claim issued by the Authority, the late payment penalty must be calculated from the date of the Authority's demand or from the date of issuance of the Committee's decision, and not from the return filing date, pursuant to Article (68), Paragraph (2) of the Implementing Regulations. Regarding the item of (Statutory Limitation Period for the Assessment for the Two Years Ended 30/09/2009 AD and 30/09/2010 AD), its appeal is based on the argument that Article (65), Paragraph (A) of the Income Tax Law and Article (59), Paragraph (8/10) of its Implementing Regulations are those applicable to the taxpayer's case. Conversely, Article (65), Paragraph (B) of the Income Tax Law relied upon by the Authority and the decision-making Committee applies in cases where the taxpayer fails to submit its tax return or if it appears that the return is incomplete or incorrect with the intent of tax evasion. As the aforementioned article relied upon by the Authority and the decision-making Committee does not apply to the taxpayer—given that all information included within the taxpayer's tax return is correct and pursuant to audited financial statements certified by an accredited certified public accountant's office in the Kingdom of Saudi Arabia—it cannot be claimed that the return contains or was built upon incorrect information. Moreover, the taxpayer submitted its tax returns and paid the tax due within the statutory deadline in accordance with the tax law. As for the Authority's claim that the taxpayer did not properly submit tax returns for the aforementioned years by deducting certain non-deductible expenses—thereby granting the Authority the right to amend the assessment in accordance with relevant laws, regulations, and instructions—this claim is incorrect and out of place pursuant to Article (13) of the Income Tax Law and Article (10) of its Implementing Regulations, which specified in detail non-deductible expenses when arriving at taxable income. Consequently, these regulations did not contain any text rejecting the deduction of the above expenses as a tax expense. Furthermore, Article Twelve of the Income Tax Law and Article Nine of the Implementing Regulations defined deductible expenses for determining taxable income as all ordinary and necessary expenses incurred for generating taxable income, whether paid or accrued. In the event the Authority considers these expenses non-deductible despite the absence of clear clauses within the tax law indicating the Non-acceptance of such expenses, this constitutes an interpretation on its part and is considered a matter of dispute, which does not entitle the Authority to reopen the assessment after the lapse of five years under the pretext of evasion. Accordingly, the taxpayer requests the setting aside of the Resolution Circuit's decision regarding the items subject of the appeal for the reasons set forth above.

Regarding the Authority's appeal against the decision of the Resolution Circuit: Its appeal regarding the item of (Shipping Expenses and Customs Duties) is based on the argument that the taxpayer failed to submit contracts, agreements, material breakdown analysis, or associated works analysis. Furthermore, upon reviewing the documents submitted by the taxpayer in its case file, it attached several sample invoices concerning shipping expenses for the year 2014 AD only and not for all periods. As it did not submit contracts and agreements to verify associated works and revenue recognition, the Authority affirms what was set out in Paragraph (Seven) of Article (Five) of the Implementing Regulations of the Income Tax Law, pursuant to which the activity of supplying goods used in (...) contracts is considered an activity that did not take place in the Kingdom; thus, the source of income was not realized from the Kingdom, and it is consequently considered a non-taxable activity in the Kingdom. For this reason, materials are declared at cost and revenue at the same value in the tax return. Consequently, expenses associated with materials purchased from abroad, such as shipping and customs, fall within the value of materials that are compared against revenues designated for materials under the contract. If the value of materials including shipping and customs exceeds the contract revenue designated for materials, the excess constitutes an exempt activity loss, and for this reason, the deduction of shipping and customs expenses separately from materials was not accepted; accordingly, the deduction of material shipping and customs expenses was not accepted. Therefore, the Authority requests the setting aside of the Resolution Circuit's decision regarding the item subject of the appeal for the reasons set forth above.

On Tuesday, 03/03/1447 AH, corresponding to 26/08/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes convened its session at 10:23 AM in the presence of its members whose names are recorded in the minutes, via visual communication pursuant to remote litigation procedures, relying on Clause No. (1) of Article (Fifteen) of the Rules of Operation for Zakat, Tax and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH. Upon calling the parties, (...) appeared (National ID No. ...) in his capacity as representative of the taxpayer pursuant to the Commercial Registration attached to the case file and Foreign Power of Attorney No. (...) authenticated by the Saudi Ministry of Justice under No. (...) dated 22/03/1446 AH. Also present was the Authority's representative, (...) (National ID No. ...), pursuant to authorization issued by the Assistant Governor of the Zakat, Tax and Customs Authority for Legal Affairs No. (...) dated 19/03/1445 AH. Upon asking the taxpayer's representative if he wished to add anything, he stated that he adhered to what was previously submitted in this case. Upon presenting this to the Authority's representative, she requested a grace period to submit what she had in a future session. Accordingly, the Circuit decided to grant the Authority a period of 10 days to submit what they have to the Secretariat, expiring on 05/09/2025 AD, and to grant the taxpayer a period of (10) days expiring on 15/09/2025 AD, after which the door for pleadings will be closed and the case will be submitted for deliberation and issuance of the decision. The Circuit will not accept any new documents or memoranda not submitted prior to the date mentioned above, and the next session will be on 07/10/2025 AD for the pronouncement of the decision.

On Tuesday, 15/04/1447 AH, corresponding to 07/10/2025 AD, at 09:50 AM, the First Appeal Circuit for Income Tax Violations and Disputes convened its session in the presence of its members whose names are recorded in the minutes, via visual communication pursuant to remote litigation procedures, relying on

Clause No. (1) of Article (Fifteen) of the Rules of Operation for Committees for Adjudication of Tax Violations and Disputes issued by Royal Order No. (26040) dated 21/04/1441 AH. Upon calling the parties, (...) appeared (National ID No. ...) in his capacity as representative of the taxpayer pursuant to the Commercial Registration attached to the case file and Foreign Power of Attorney No. (...) authenticated by the Saudi Ministry of Justice under No. (...) dated 22/03/1446 AH; and (...) (National ID No. ...) and (...) (National ID No. ...) appeared in their capacity as representatives of the Zakat, Tax and Customs Authority pursuant to authorization issued by the Assistant Governor of the Zakat, Tax and Customs Authority for Legal Affairs No. (...) dated 19/03/1445 AH. And whereas the pleadings and deliberation were closed, and as this session was designated for the pronouncement of the decision, the Circuit decided to adjourn the session in preparation for issuing the decision.

Grounds

And whereas by reviewing the case documents and the appeal brief submitted by the Taxpayer and by the Zakat, Tax and Customs Authority, it became evident to the Circuit that the conditions for considering the appeal procedurally have been fulfilled in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; a matter with which the two appeal requests are procedurally acceptable, as they were submitted by a party with standing, and within the statutory period prescribed for their execution.

On the merits, and with respect to the Authority's appeal concerning the item of (Shipping Expenses and Customs Duties); and whereas Paragraph (1) of Article (9) of the Implementing Regulations of the Income Tax Law issued by Minister of Finance Decision No. (1535) dated 11/06/1425 AH provides that: "Expenses deductible for determining taxable income are: 1- All ordinary and necessary expenses incurred for generating taxable income, whether paid or accrued, provided that the following controls are met: A- That it is an actual expense supported by documentary evidence or other proof enabling the Authority to verify its accuracy. B- That is connected to generating taxable income. C- That relates to the tax year. D- That it is not of a capital nature."; and whereas Article (12) of the same Regulations provides that: "All ordinary and necessary expenses for generating taxable income, whether paid or accrued, incurred during the tax year are deductible expenses when calculating the tax base, with the exception of any expenses of a capital nature, and other non-deductible expenses pursuant to Article Thirteen of this Law, and other provisions in this Chapter."; and whereas Paragraph (7) of Article (Five) thereof provides that: "... 7- Contracts for the supply of goods to the Kingdom, including contracts for their shipping and insurance, shall not be deemed to arise from an activity performed in the Kingdom unless the contracts include associated works such as internal transport, installation, maintenance, or training and the like performed within the Kingdom, in which case only the associated works shall be deemed to arise from an activity in the Kingdom". Based on the foregoing, it has become evident to the Circuit that the dispute lies in the tax treatment of those expenses and is not a documentary dispute. Upon reviewing the Authority's appeal brief, it is clear that the basis for its rejection of the item of shipping expenses and customs duties is that they are expenses connected to an exempt item—namely imported materials, which are declared as revenue and expense at equal value—whereas the taxpayer contends that the disputed expenses relate to storage, rents, transportation, and packaging expenses for moving the equipment that the company contracted to supply from Saudi ports to project sites within the Kingdom, thereby rendering this activity related to the branch's internal activity with the company.

Upon reviewing the case file, it became evident to the Circuit that the taxpayer submitted a statement of shipping expenses, a sample of invoices for the year 2014 AD, the contract executed with (...) Company, and a brief presentation illustrating the disclosure of both overseas supply revenues and internal services associated with taxable revenues at the branch relating to the contract executed with (...) Company, in addition to the tax returns for the years 2010 AD and 2014 AD. It is evident from Revenue Statement No. (1) (Contract Tracking Statement) within these two returns the details and nature of contract revenues, demonstrating that the contracts executed with clients inside the Kingdom were not limited solely to material supply contracts as claimed by the Authority, but also included internal services. Given that the taxpayer's primary activity consists of executing installation, operation, and maintenance contracting agreements, and as it is evident from the submitted invoices issued by the service provider that they relate to loading and transporting equipment from Saudi ports and unloading them at project sites, in addition to storage expenses for that equipment and customs duties—which are expenses connected to generating the income subject to tax—and was realized from the works under which the company contracted to supply and install equipment with local entities; and as it was affirmed in the field examination report attached to the Authority's supplementary appeal brief that a copy of the General Ledger and a detailed statement of those expenses were reviewed, wherein Paragraph (4-A) concerning shipping expenses noted that they relate to transporting machinery and equipment from the port to the client's premises to complete the contract for their installation; the Circuit consequently concludes to reject the Authority's appeal and affirm the Resolution Circuit's decision with respect to this item.

With respect to the taxpayer's appeal concerning the item of (Penalties Expenses); and whereas Article (12) of the Income Tax Law issued by Royal Decree No. (M/1) dated 15/01/1425 AH provides that: "All ordinary and necessary expenses for generating taxable income, whether paid or accrued, incurred during the tax year are deductible expenses when calculating the tax base, with the exception of any expenses of a capital nature, and other non-deductible expenses pursuant to Article Thirteen 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 Minister of Finance Decision No. (1535) dated 11/06/1425 AH provides that: "Expenses deductible for determining taxable income are: 1- All ordinary and necessary expenses incurred for generating taxable income, whether paid or accrued, provided that the following controls are met: A- That it is an actual expense supported by documentary evidence or other proof enabling the Authority to verify its accuracy. B- That is connected to generating taxable income. C- That relates to the tax year. D- That it is not of a capital nature."; and whereas Paragraph (6) of Article (10) of the same

Regulations provides that: "The following expenses may not be deducted: ... 6- Penalties or financial penalties paid or payable to any entity in the Kingdom, such as traffic violations and public utility damage violations. As for financial Penalties arising from breach of contractual conditions such as performance delay or defective performance Penalties, they may be deducted provided they are documented by the entity contracted with the taxpayer and declared within the taxpayer's revenues in the year of recovery"; and whereas Paragraph (3) of Article (57) thereof provides that: "3- The burden of proving the accuracy of revenues, expenses, and any other data contained in the taxpayer's return rests upon the taxpayer. In the event the taxpayer is unable to prove the accuracy of what is contained in its return, the Authority may, in addition to applying any other statutory penalties, disallow the expense unproven by the taxpayer or issue a discretionary assessment according to the Authority's point of view in light of the circumstances, facts associated with the case, and available information to the Authority." Based on the foregoing, and upon reviewing the case file including the pleadings and documents contained therein, and as it became clear that the basis for the Authority's rejection is that the materials item is exempt from tax and was not declared as revenue and expense at equal value—consequently rendering any Penalties associated with the exempt item unaccepted—and as the taxpayer failed to submit evidence proving otherwise; and whereas the Circuit concluded under the item "Statutory Limitation Period for the Tax Assessment for the Two Years Ended 30/09/2009 AD and 30/09/2010 AD" to reject the taxpayer's appeal due to the established right of the Authority to issue the assessment after the expiry of the statutory period for the year 2009 AD; the Circuit consequently concludes to reject the taxpayer's appeal and affirm the Resolution Circuit's decision with respect to this item. With respect to the taxpayer's appeal concerning the item of (Amounts Paid on Account of Tax Due for the Years from 2010 AD to 2014 AD); and whereas Paragraph (3) of Article (57) of the Implementing Regulations of the Income Tax Law issued by Minister of Finance Decision No. (1535) dated 11/06/1425 AH provides that: "The burden of proving the accuracy of revenues, expenses, and any other data contained in the taxpayer's return rests upon the taxpayer. In the event the taxpayer is unable to prove the accuracy of what is contained in its return, the Authority may, in addition to applying any other statutory penalties, disallow the expense unproven by the taxpayer or issue a discretionary assessment according to the Authority's point of view in light of the circumstances, facts associated with the case, and available information to the Authority." Based on the foregoing, and whereas the dispute between the parties centers on the non-deduction of withholdings paid on account, and upon reviewing the case file including the pleadings and documents contained therein; it became evident to the Circuit that the taxpayer failed to submit evidence establishing the existence of amounts paid on account of tax due for the disputed years that were not deducted by the Authority, nor did it submit proof of payment for those amounts. Given that the invoices submitted by the taxpayer do not clarify the aforementioned amounts due to the illegibility of the invoice data, the Circuit consequently concludes to reject the taxpayer's appeal and affirm the Resolution Circuit's decision with respect to this item.

With respect to the taxpayer's appeal concerning the item of (Imposition of Withholding Tax on Local Travel Expenses, Site Expenses, Technical and Advisory Services); and whereas Paragraph (2) of Article (5) of the Rules of Operation for Zakat, Tax and Customs Committees issued by Royal Order No. (26040) dated 21/04/1441 AH provides that: "In matters not specifically provided for in the Rules, the two Committees shall apply the procedures prescribed in the Law of Sharia Procedures, the Law of Criminal Procedure, the Law of Procedure before the Board of Grievances, and the regulations and decisions issued thereunder, in a manner that does not conflict with the nature of the suit and the competencies, powers, and nature of work of the two Committees"; and pursuant to Article (186) of the Law of Sharia Procedures by Royal Decree No. (M/1) dated 22/01/1435 AH, which provides that: "New claims shall not be accepted in appeal, and the court shall rule on its own motion as to their inadmissibility". Based on the foregoing, and upon reviewing the case file; it became evident to the Circuit that the item of imposing withholding tax on local travel expenses, site expenses, technical and advisory services is a new claim; the Circuit consequently concludes to reject the taxpayer's appeal with respect to this item.

With respect to the taxpayer's appeal concerning the item of (Late Payment Penalty); and whereas Paragraph (A) of Article (77) of the Income Tax Law issued by Royal Decree No. (M/1) dated 15/01/1425 AH provides that: "In addition to the penalties provided for in Article Seventy-Six of this Law and in Paragraph (B) of this Article, the taxpayer shall pay a late payment penalty at the rate of one percent (1%) of the unpaid tax for every thirty days of delay, and this includes delay in paying the tax required to be withheld and accelerated payments, and it shall be calculated from the date the tax becomes due to the date of payment"; and whereas Paragraph (1) of Article (68) of the Implementing Regulations of the Income Tax Law issued by Ministerial Decision No. (1535) dated 11/06/1425 AH provides that: "There shall be added to the penalties provided for in the preceding Article 1% of the unpaid tax for every thirty days of delay in the following cases: B- Delay in paying the tax due under the Authority's assessment"; and relying on the text of Paragraph (3) of Article (67) of the same Regulations, which provides that: "Unpaid tax means the difference between what the taxpayer paid on the statutory due date and the tax due for payment under the provisions of the Law, including adjustments made by the Authority that have become final as set out in Paragraph (2) of Article Seventy-One of these Regulations, including disputed cases where the penalty is calculated from the statutory due date for submitting the return and payment." Based on the foregoing, and upon reviewing the case file including the pleadings and documents contained therein; and whereas the late payment penalty is calculated from the date of expiration of the prescribed deadline for submitting the return until the payment date of the tax due arising under the application of the provisions of the Law and the adjustments made by the Authority; and whereas the dispute between the parties did not arise from a valid variance in the interpretation of statutory texts; and as the taxpayer did not object to the principal tax imposition as claimed; the Circuit consequently concludes to reject the taxpayer's appeal and affirm the Resolution Circuit's decision with respect to this item.

With respect to the taxpayer’s appeal concerning the item of (Statutory Limitation Period for the Assessment for the Two Years Ended 30/09/2009 AD and 30/09/2010 AD); and 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 provide that: "A- The Authority may, by reasoned notice, make or amend a tax assessment within five years from the end of the deadline prescribed for submitting the tax return for the tax year; it may also do so at any time if agreed to in writing by the taxpayer. B- The Authority may make or amend an assessment within ten years from the end of the deadline prescribed for submitting the tax return for the tax year if the taxpayer fails to submit its tax return, or if it appears that the return is incomplete or incorrect with the intent of tax evasion"; and whereas Paragraph (3) of Article (57) of the Implementing Regulations of the Income Tax Law issued by Minister of Finance Decision No. (1535) dated 11/06/1425 AH provides that: "The burden of proving the accuracy of revenues, expenses, and any other data contained in the taxpayer's return rests upon the taxpayer. In the event the taxpayer is unable to prove the accuracy of what is contained in its return, the Authority may, in addition to applying any other statutory penalties, disallow the expense unproven by the taxpayer or issue a discretionary assessment according to the Authority's point of view in light of the circumstances, facts associated with the case, and available information to the Authority." Based on the foregoing, it is evident from the statutory texts cited above that the Authority’s right to make tax assessments expires after five (5) years commencing from the final deadline prescribed for submitting the return. As it is established that the Authority issued the tax assessment for the subject years after the expiration of the prescribed statutory period, and given that the Authority has the right to request and examine the taxpayer's documents to verify their accuracy; and as the Authority contends that the taxpayer did not submit its tax returns properly due to including certain non-deductible expenses, and since the taxpayer failed to submit supporting documentation proving the contrary; the Authority is accordingly entitled to make the tax assessment within ten (10) years from the end of the deadline prescribed for submitting the tax return. The Circuit consequently concludes to reject the taxpayer’s appeal and affirm the Resolution Circuit’s decision with respect to this item.

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

Decision

First: Acceptance of the appeal procedurally, filed by the taxpayer / (...) Company, Commercial Registration No. (...), Tax Identification Number (...), and the appeal filed by the Zakat, Tax and Customs Authority, against the decision of the Third Circuit for Adjudication of Income Tax Violations and Disputes in Riyadh City, No. (ITR-2024-23706), issued in Lawsuit No. (IW-2020-23706) concerning 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 of (Shipping Expenses and Customs Duties).
2- Rejection of the taxpayer's appeal and affirmation of the Resolution Circuit's decision regarding the item of (Penalties Expenses).
3- Rejection of the taxpayer's appeal and affirmation of the Resolution Circuit's decision regarding the item of (Amounts Paid on Account of Tax Due for the Years from 2010 AD to 2014 AD).
4- Rejection of the taxpayer's appeal regarding the item of (Imposition of Withholding Tax on Local Travel Expenses, Site Expenses, Technical and Advisory Services).
5- Rejection of the taxpayer's appeal and affirmation of the Resolution Circuit's decision regarding the item of (Late Payment Penalty).
6- Rejection of the taxpayer's appeal and affirmation of the Resolution Circuit's decision regarding the item of (Statutory Limitation Period for the Assessment for the Two Years Ended 30/09/2009 AD and 30/09/2010 AD).

Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes

Decision No IR-2025-238787

Case No. I-2024-238787

Keywords:

Income Tax – Salaries and Social Insurance – Acceptance of the Authority's Appeal – Annulment of the Resolution Circuit's Decision.

Summary:

The mutual appeal of the two parties relating to income tax, whereas the objection centered on the Resolution Circuit's decision which ruled to annul the Administration's procedures regarding the transfer pricing and late payment penalty items for the year 2019. The Taxpayer adhered to the soundness of his profitability indicator and the comparable companies adopted by him, while the Administration argued the deficiency of the documents of those companies and their statutory lack of independence. And whereas the Appeal Circuit relied on the proven absence of the independence condition and the deficiency of the financial statements for some comparable companies, which necessitates their exclusion, along with the correctness of the Taxpayer's position regarding another company, and the entitlement to recalculate the penalty in accordance with the new assessment; the implication of this is: acceptance of both appeals procedurally, and on the merits by accepting them partially, amending the Resolution Circuit's decision, and annulling it in other items in accordance with the grounds.

Document

- The Rules of Operation for Zakat, Tax and Customs Committees, issued by Royal Order 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) – 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.

Facts:

And this is to consider the appeal filed on 20/06/2024 AD by the Zakat, Tax and Customs Authority against the decision of the Second Circuit for Adjudication of Income Tax Violations and Disputes in Riyadh City, No. (ISR-2024-204697), issued in Case No. (I-2023-204697) concerning the tax assessment for the year 2021 AD, in the case submitted by the taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

1- Rejection of the plaintiff's objection regarding the item of (Salaries, Fees, and the Like Paid to Owners, Partners, Shareholders, and Their Relatives - Salaries of the Partner's Sons) for the year 2021 AD, in the amount of SAR 141,953.
2- Amendment of the defendant's procedure regarding the item of (Salaries, Fees, and the Like Paid to Owners, Partners, Shareholders, and Their Relatives - Residency Renewal Fees for Employees' Families) for the year 2021 AD, by accepting the deduction of SAR 1,400, in accordance with the grounds.
3- Establishing the settlement of the dispute regarding the item of (Salaries, Fees, and the Like Paid to Owners, Partners, Shareholders, and Their Relatives - Residency Renewal Expenses for the Partner's Sons) for the year 2021 AD, in the amount of SAR 4,400, in accordance with the grounds.

And whereas this decision was not accepted by the appellant (the Zakat, Tax and Customs Authority), it submitted an appeal memorandum which summarized as follows:

As the Authority objects to the contested decision of the Resolution Circuit, it claims that regarding the item of (Salaries, Fees, and the Like Paid to Owners, Partners, Shareholders, and Their Relatives - Residency Renewal Fees for Employees' Families for the Year 2021 AD), the Authority clarifies that it subjected the non-statutory salaries, fees, and the like paid to owners, partners, shareholders, and their relatives in the amount of SAR (141,953), and subjected the expenses paid to them in a total value of SAR (28,000). In addition, the amounts paid to the owner and his sons are considered government fees for renewing the residency permits and work licenses of the owner and his sons. The Authority further states that the Resolution Circuit issuing the appealed decision concluded to amend the above item, and the Authority asserts that what the Resolution Circuit stated in the grounds of its decision—that the expenses are business-related based on professional custom—is incorrect. The reason for this is that those government fees consist of residency renewals for the family of the partner (...), in the amount of SAR (4,720), and the family of the partner's son (...), in the amount of SAR (18,880). Consequently, they are non-deductible expenses because they relate to their families, rendering those expenses non-business-related. The Authority also clarifies that it had previously accepted the deduction of government fees paid for the owner (...), and his son (...) at the objection stage in the amount of SAR (4,400), and that the copies of the bank payment receipts relied upon in the Adjudication decision are actually for the owner (...) and his son (...). Therefore, the Authority considers the Resolution Circuit's acceptance of the above item to be invalid. Furthermore, it is not clear how the Resolution Circuit arrived at the amount of SAR (1,400), since the copies of the bank payment receipts total SAR (2,800). Accordingly, the Authority requests the annulment of the Resolution Circuit's decision regarding the appealed items for the aforementioned grounds.

On Wednesday, 15/01/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its session at exactly 02:01 PM in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with the procedures of remote visual litigation; based on what is stated in Item No. (1) of Article Fifteen of the Rules of Operation for the Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. After reviewing the appeal request, the submitted memoranda, and the papers and documents contained in the case file, and after deliberation, and whereas the lawsuit is ready for adjudication in its current state, the Circuit decides to close the hearing of pleadings and reserve the case for adjudication.

Grounds

And whereas by reviewing the case documents and the appeal brief submitted by the Authority, it became evident to the Circuit that the conditions for considering the appeal procedurally have been fulfilled in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; a matter with which the appeal request is procedurally acceptable for being submitted by a party with standing, and within the statutory period prescribed for its execution.

On the merits, and whereas regarding the Authority's appeal concerning the item of (Salaries, wages, and the like paid to owners, partners, shareholders, and their relatives (residency renewal fees for employees' families) for the year 2021); and whereas Paragraph (B) of Article (13) of the Income Tax Law concerning non-deductible expenses stipulated: "Any amounts paid or benefits provided to a shareholder, partner, or any of their relatives if they represent salaries, wages, rewards, and the like, or do not meet the conditions of transactions between independent parties in exchange for properties or services." Also, Paragraph No. (1) of Article (10) of the Implementing Regulations of the Income Tax Law concerning non-deductible expenses 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 including parents, spouse, children, and siblings." Also, Paragraph (3) of Article (57) of the Implementing Regulations of the Income Tax Law stipulated: "The burden of proving the correctness of what is stated in the taxpayer's return regarding revenues, expenses, and any other data lies with the taxpayer. In the event he is unable to prove the correctness of what is stated in his return, the Authority may, in addition to applying any other statutory penalties, disallow the expense whose correctness is not proven by the taxpayer, or conduct an estimated assessment according to the Authority's viewpoint in light of the circumstances, facts related to the case, and information available to the Authority."

Based on the foregoing, and whereas it is clear from the reasoning of the appealed decision the incorrectness of amending the Authority's procedure by accepting the deduction of a portion of the expense which the Authority had already previously accepted, which led to a double deduction, as (...) and (...) are employees of the company and therefore the residency renewal expenses are considered mandatory and obligatory for the activity as they are linked to income generation (as is the case for the rest of the employees). Furthermore, they are paid to a government entity and not to the owners and their relatives personally, a matter which the Authority clarified in its memorandum submitted before the Resolution Circuit by accepting their residency renewal fees and deducting them as they are necessary expenses for the activity and were paid to government entities in the amount of 4,400 Riyals. As for the fees related to dependents (family members), since they are not linked to the activity, the Authority deemed it appropriate to reject and not deduct 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 of (Salaries, wages, and the like paid to owners, partners, shareholders, and their relatives (residency renewal fees for employees' families) for the year 2021).

Based on the foregoing and invoking the stated grounds, the Circuit unanimously decided the following:

Decision

First: Acceptance of the appeal procedurally, filed by the Zakat, Tax and Customs Authority, against the decision of the Second Circuit for Adjudication of Income Tax Violations and Disputes in Riyadh City, No. (ISR-2024-204697), issued in Case No. (I-2023-204697) concerning 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 of (Salaries, Fees, and the Like Paid to Owners, Partners, Shareholders, and Their Relatives - Residency Renewal Fees for Employees' Families for the Year 2021 AD).

Appeal Committee for Tax Violations and Disputes
First Appeal Circuit for Income Tax Violations and Disputes

Decision No IR-2025-240407

Case No. I-2024-240407

Keywords:

Income Tax – Transfer Pricing – Partial Acceptance of the Authority's Appeal – Rejection of the Taxpayer's Appeal – Amendment of the Resolution Circuit's Decision Regarding the Late Payment Penalty.

Summary:

he mutual appeal of the two parties relating to income tax, whereas the objection centered on the Resolution Circuit's decision which ruled to annul the Administration's procedures regarding the transfer pricing and late payment penalty items for the year 2019. The Taxpayer adhered to the soundness of his profitability indicator and the comparable companies adopted by him, while the Administration argued the deficiency of the documents of those companies and their statutory lack of independence. And whereas the Appeal Circuit relied on the proven absence of the independence condition and the deficiency of the financial statements for some comparable companies, which necessitates their exclusion, along with the correctness of the Taxpayer's position regarding another company, and the entitlement to recalculate the penalty in accordance with the new assessment; the implication of this is: acceptance of both appeals procedurally, and on the merits by accepting them partially, amending the Resolution Circuit's decision, and annulling it in other items in accordance with the grounds.

Document

- The Rules of Operation for Zakat, Tax and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH.
- Article (62) and Paragraph (A/2) of Article (63) of the Income Tax Law, issued by Royal Decree No. (M/1) dated 15/01/1425 AH.
- Paragraph (11) of Article (10) of the Implementing Regulations of the Income Tax Law, issued by Ministerial Resolution No. (1535) dated 11/06/1425 AH.

Facts:

And this is to consider the appeal filed on 06/08/2024 AD by (...), Resident ID No. (...), in his capacity as the statutory representative of the appellant company under the Commercial Registration, and the appeal filed by the Zakat, Tax and Customs Authority on 08/08/2024 AD, against the decision of the Second Circuit for Adjudication of Income Tax Violations and Disputes in Riyadh City, No. (ISR-2024-230244), issued in Case No. (I-2024-230244) concerning the tax assessment for the year 2019 AD, in the case submitted by the taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

First: Acceptance of the case submitted by the plaintiff / (...) Company Branch, Commercial Registration No. (...), against the defendant / Zakat, Tax and Customs Authority, procedurally.

Second: On the merits:

1- Annulment of the defendant's procedure regarding the item of transfer pricing, in accordance with the grounds.
2- Annulment of the defendant's procedure regarding the item of late payment penalty, in accordance with the grounds.

And whereas this decision was not accepted by the taxpayer, it submitted an appeal memorandum reviewed by the Circuit, which included the following:

As the taxpayer objects to the contested decision of the Resolution Circuit, it requests regarding the item of (Transfer Pricing - in relation to comparable companies and the interquartile range) the annulment of the Circuit's decision. The taxpayer stated that the BVD independence indicator for the company is (A+), which indicates that the company is independent and not part of a group, and that the shareholding percentage in the company is less than (25%) of the company's total equity; therefore, there is no issue regarding the independence of the branch, which negates the Authority's claim. The taxpayer referred to the Arabic translation document of the local transfer pricing file section, and a copy from the database showing the company's independence indicator. Regarding the company's activities, the taxpayer provided a copy from the database illustrating the nature of the company's activities and provided a translation of the copy, which stated the following: "The company primarily operates in providing accounting services. The company provides accounting, auditing, internal auditing, governance, compliance, corporate recovery, forensic accounting, and risk management services." Accordingly, the company's activities are limited to professional services and do not include discussion and negotiation with banks regarding loans on behalf of clients as claimed by the Authority. As for the item of (Transfer Pricing - in relation to determining the branch's Profit Level Indicator), the taxpayer requests the annulment of the Circuit's decision regarding this item based on the following grounds: First: The technical capability and capacity of the branch during the fiscal year 2019 AD, wherein the taxpayer noted that the branch did not possess sufficient capabilities to execute active projects during 2019 AD. At that time, the branch had only 12 employees, 8 of whom were delivering services to clients, and the expertise and specializations of those 8 employees did not serve the objectives and nature of the active projects in 2019 AD. Consequently, the branch relied entirely on (...) Company to lead and execute the projects. This support is based on the (...) Group business model, which allows group offices to provide support based on the specific requirements of a project; thus, the branch's role was limited to administration and coordination activities, which are routine activities. The taxpayer submitted the roles and job descriptions of the branch's employees for the fiscal year 2019 AD, a sample of email communications of (...) affiliates to maintain client relationships, the group's business model, and the functional profile of the branch. Second: The functional profile of the branch for the fiscal year 2019 AD: The functional profile includes a functional analysis of the tested party through which the functions performed, assets used, and risks assumed are determined. The taxpayer added that during 2019 AD, the branch performed limited functions and tasks including routine activities such as administrative and coordination tasks; the assets owned by the branch were offices, computers, and the like; and the risks assumed by the branch were low-risk considering that the branch was performing low-value tasks. Therefore, the branch can be classified as a provider of low-value advisory services with limited risks and assets. Third: The operating margin (OM) cannot be applied as an appropriate Profit Level Indicator: The taxpayer noted that the honorable Resolution Circuit stated—relying on the Authority's memorandum—that the operating margin (OM) had been used in years prior to the year under dispute, and as such, the operating margin (OM) must be used as an appropriate Profit Level Indicator. The Authority also stated that in the event of a change in the Profit Level Indicator, the branch must provide convincing reasons for this change (such as a change in the branch's activity). Based on the guidelines in the Transfer Pricing Manual in Saudi Arabia, specifically Paragraph 4.2.4.3 regarding the selection of the Profit Level Indicator when applying the Transactional Net Margin Method (TNMM), the operating margin applied by the Authority in its assessment is more appropriate when analyzing marketing and distribution activities, whereas the Mark-up on Total Costs (MOTC) is more appropriate when analyzing manufacturing and service activities. Since there is no dispute that the branch is a service provider, it is evident that the most appropriate profitability indicator should be the Mark-up on Total Costs (MOTC), with adjustments if necessary. The taxpayer provided references from the Manual: Operating Margin (OM) as a profitability indicator—Transfer Pricing Manual in Saudi Arabia, Paragraph 4.2.4.3 provides: "Operating Margin or Return on Sales: ... This method aims to measure the profitability of companies and sectors of various sizes and is not used to calculate the capital employed to generate profit. Using operating profit as a measure of cash flow reduces the impact of accounting, financial, and tax policies on profits. The Authority considers the application of this method appropriate for marketing and distribution activities." Given that the branch is a provider of low-value advisory services with limited risks and assets, the operating margin (OM) cannot be considered an appropriate Profit Level Indicator, as it applies only to entities performing distribution or marketing activities. Mark-up on Total Costs (MOTC) / Net Cost Plus Mark-up—Transfer Pricing Manual in Saudi Arabia, Paragraph 4.2.4.3 provides: "Net Cost Plus Mark-up Margin: It is the ratio of earnings before interest and taxes (EBIT) or operating profits to total costs. This indicator measures returns on total operating costs of a person (excluding interest and taxes). When using this indicator, functional differences do not impact the analysis, assuming they are reflected in the level of sales and general and administrative expenses, as several items can be included within cost of sales or operating expenses. Typically, this indicator is suitable for use on manufacturing operations and service providers, as the person's costs reflect the activities performed. The tested party is usually in control of the cost per unit produced, quantities produced, labor, and operating expenses." The taxpayer added that transfer pricing is a dynamic and changing concept studied independently each year. Simply because the branch adopted the operating margin (OM) as a profitability indicator in its previous years does not mean that the same indicator must be adopted every year. Furthermore, according to the transfer pricing regulations and guidelines in Saudi Arabia, taxpayers are required to comply with transfer pricing documentation requirements for each fiscal year separately where applicable; therefore, the transfer pricing position adopted by the Authority in its previous assessments (i.e., fiscal years 2016 AD to 2018 AD) cannot be adopted in subsequent years, as transfer pricing regulations require a contemporaneous practice to determine and consider all relevant facts and details for taxpayers for each fiscal year separately.

Likewise, this decision was not accepted by the Authority, which submitted an appeal memorandum reviewed by the Circuit, summarizing as follows:

As the Authority objects to the contested decision of the Resolution Circuit, regarding the item of (Transfer Pricing), it noted that it maintains what was stated in its response memorandum submitted to the Resolution Circuit and refers to it to prevent repetition and lengthiness. Regarding the companies (...), (...), and (...), the Authority states that what the Circuit's decision concluded by accepting the taxpayer's objection is incorrect, as it accepted the taxpayer's objection based on Attachments (7.1) to (7.8) submitted by the taxpayer. Upon reviewing the attachments, it became evident that the financial information was incomplete and insufficient (where financial information must be available clarifying sales, cost of sales, operating costs, and profit for the year), making it impossible to perform a comparability analysis under such information as it is insufficient to clarify the financial position of the comparable companies——which was previously clarified by the Authority to the taxpayer in the transfer pricing report and in the preliminary and final assessment memorandums. The Authority sets out below the details of rejection for each company: 1) (...) Company: The Authority provided a copy from the database showing the absence of financial information for the year 2019 AD, nor did the taxpayer attach in (Attachments 7.1 to 7.8) any additional documents for the financial information for 2019 AD. 2) (...) Company: The Authority provided a copy from the database showing the absence of financial information for the years 2017 AD–2019 AD, noting that the database used is the same for both the Authority and the taxpayer; therefore, the taxpayer must clarify the source of financial information for 2017 AD–2018 AD, and without contradicting the Authority's previous position, the financial information submitted by the taxpayer does not include operating profit, making it impossible to arrive at the operating margin result for the comparable company. 3) (...) Company: The Authority provided a copy from the database showing the absence of financial information for the years 2017 AD–2018 AD, noting that the database used is the same for both the Authority and the taxpayer; therefore, the taxpayer must clarify the source of financial information for 2017 AD–2018 AD, and without contradicting the Authority's previous position, the financial information submitted by the taxpayer does not include operating profit, making it impossible to arrive at the operating margin result for the comparable company. Paragraph 4.3.2 of the Transfer Pricing Manual provides: "The instructions do not refer to a specific database, and the Authority will not automatically reject the use of data obtained from specific databases if that database is available to the Authority. However, taxpayers must prove the appropriateness of using a specific database in the analysis. Financial information for independent transactions or data of independent people can be obtained and public databases and other available sources of information can be used in most cases. In addition to the above, the use of confidential information for comparison or reliance thereon in any manner for analysis purposes will not be permitted." Accordingly, the Authority asserts the exclusion of these companies due to the unavailability of financial information, and the Authority provided proof of the deficiency of this information and the impossibility of using it in the comparability analysis. Second: Regarding: 1) (...) Company: The Authority provided a copy from the database showing the existence of a subsidiary 100% owned by the comparable company. 2) (...) Company: The Authority provided a copy from the database showing that the company is 100% owned by the parent company, in addition to the presence of two companies in the group owned by the parent company by at least 99%, and the independence indicator for the company is D according to the database. 3) (...) Company: The Authority provided a copy from the database showing that the company is 100% owned by the parent company, in addition to the presence of several companies in the group owned by the parent company in varying percentages, and the independence indicator for the company is D according to the database. 4) (...) Company: The Authority provided a copy from the database showing the existence of two subsidiaries 100% owned by the comparable company. 5) (...) Company: The Authority provided a copy from the database showing the existence of a subsidiary 85% owned by the comparable company. 6) (...) Company: The Authority provided a copy from the database showing the existence of two subsidiaries 100% and 60% owned by the comparable company, respectively. The Circuit issuing the contested decision annulled the Authority's procedure and accepted the taxpayer's objection based on Attachments (7.1) to (7.8) submitted by the taxpayer, and based on the text of the Committee's decision which stated: "It is clear that the defendant's rejection lacks merit, as the rejection was based on an 'assumption' where it should have performed its duty, examined the companies, verified their comparability, and presented logical reasons based on regulations and transfer pricing guidelines. Accordingly, the Circuit considers accepting the plaintiff's objection and annulling the defendant's procedure." The Authority responds thereto that the text of the decision shows that the Authority's exclusion of these companies was based on an assumption, which contradicts the facts and reality, as the Authority examined these companies to verify their comparability and rejected them based on the examination result which showed that these companies negate one of the most important factors of comparability analysis—namely, independence—based on Article 3 of the Transfer Pricing Instructions, which provides: "For income tax purposes, the terms and conditions of transactions between related persons must be similar to the terms and conditions of comparable transactions conducted between independent persons." In addition to Paragraph 3.2.1 of the Transfer Pricing Manual, which defined one aspect of considering persons as related persons as follows: "The transfer pricing instructions included special considerations regarding control through ownership. Where a person's ownership is 50% or more of a legal entity, the owner is presumed to control that legal entity." Also based on Paragraphs 4 and 4.3 respectively of the Transfer Pricing Manual: "The objective of the comparability analysis is to evaluate the degree of comparability between transactions between related persons and independent transactions, and it is considered one of the foundations upon which the application of the arm's length principle is based." "Certain margins achieved by independent persons similar to related persons are used as indicators of the arm's length nature of transactions between related persons, based on the presumption that if independent persons achieve specific margins from one or more transactions, it can be considered that if a related person achieves the same margins from its transactions with related persons, the prices of those transactions must comply with the arm's length principle." Accordingly, it is clear to the Authority that comparability analysis is based on comparing transactions of related parties with transactions of independent persons; therefore, if the independence factor of comparable companies is negated, they must be excluded from the comparability analysis, demonstrating that these companies were excluded due to the lack of the independence factor. Regarding the item of (Late Payment Penalty), the Authority maintains what was stated in its response memorandum submitted to the Resolution Circuit and refers to it to prevent repetition and lengthiness, stating that by referring to the taxpayer's objection submitted to the Authority regarding the verification of its objection to the item under grievance, it became evident that it did not object to this item for the year 2019 AD and had not previously raised it before the Authority. The plaintiff was required to object to this item first before the Authority according to the statutory procedures stipulated in Article (5) of the Rules of Operation for Zakat, Tax and Customs Committees. The Authority imposed the late payment penalty on tax differences not paid on the statutory due date based on Article (77) of the Income Tax Law and Article (68) of the Implementing Regulations of the Income Tax Law.

On Monday, 24/03/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its session at exactly 04:15 PM in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with the procedures of remote visual litigation; based on what is stated in Item No. (1) of Article Fifteen of the Rules of Operation for the Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. By calling upon the litigants, there attended / (...), National ID No. (...), in his capacity as the Taxpayer's representative by virtue of Power of Attorney No. (...) issued on 14/05/1445 AH, and Law Practice License No. (...). And there attended / (...), (National ID No. ...), in her capacity as the representative of the Zakat, Tax and Customs Authority by virtue of an authorization issued by the Vice Governor of the Zakat, Tax and Customs Authority for Legal Affairs and Compliance under No. (...) dated 19/03/1445 AH. Upon asking the Taxpayer's representative what he wishes to add, he stated that he adheres to what was previously submitted in this lawsuit. By presenting this to the Authority's representative, she answered that the Authority had submitted a supplementary memorandum via the CRM system under No. (...).

Upon asking both parties what they wish to add, they decided to be satisfied with what was previously submitted. Accordingly, the Circuit decided to postpone the consideration of the lawsuit to the session of Tuesday corresponding to 22/04/2025 AD. The session concluded at exactly 04:45 PM.

On Tuesday, 22/04/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its session at exactly 11:00 AM in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with the procedures of remote visual litigation; based on what is stated in Item No. (1) of Article Fifteen of the Rules of Operation for the Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. By calling upon the litigants, there attended / (...), National ID No. (...), in his capacity as the Taxpayer's representative by virtue of Power of Attorney No. (...) issued on 14/05/1445 AH, and Law Practice License No. (...), and there attended the Authority's representative / (...), (National ID No. ...), by virtue of an authorization issued by the Vice Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (...) dated 19/03/1445 AH. Upon asking the Taxpayer's representative what he wishes to add, he stated that he adheres to what was previously submitted in this lawsuit. By presenting this to the Authority's representative, she answered by adhering to what was previously submitted in this lawsuit. Upon asking both parties what they wish to add, they decided to be satisfied with what was previously submitted. And after closing the hearing of pleadings and deliberation.

Grounds

And whereas by reviewing the case documents and the appeal brief submitted by the Taxpayer and by the Zakat, Tax and Customs Authority, it became evident to the Circuit that the conditions for considering the appeal procedurally have been fulfilled in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; a matter with which the two appeal requests are procedurally acceptable, as they were submitted by a party with standing, and within the statutory period prescribed for their execution.

On the merits, and with respect to the appeals of both parties concerning the item of (Transfer Pricing - in relation to comparable companies and the interquartile range); whereas Article (62) of the Income Tax Law provides that: "A. The Authority has the right to correct and adjust the tax shown in the return to bring it into conformity with the provisions of this Law, and it has the right to make a tax assessment if the taxpayer fails to submit its return"; and Paragraph (A/2) of Article (63) of the Income Tax Law, relating to tax evasion procedures, provides that: "A. For the purpose of determining tax, the Authority has the right to: 2. Recharacterize transactions whose form does not reflect their substance and place them in their true reality"; and Paragraph (C) of the same Article provides that: "C. The Authority may reallocate revenue and expenses in transactions conducted between related persons or persons belonging to the same entity to reflect the revenue that would have been generated had the parties been independent and un-related."; and based on Paragraph (11) of Article (10) of the Implementing Regulations of the Income Tax Law, which provides that: "The following expenses may not be deducted: 11- The value of materials supplied or the value of services provided by persons related to the taxpayer in excess of prices used between independent persons. The Authority shall issue specific rules for determining fair prices for transactions conducted between related persons in accordance with internationally recognized standards"; and based on Paragraph (A/1) of Article (5) of the Transfer Pricing Instructions, which provides that: "A- For the purposes of these Instructions, transactions between related persons shall be similar to or comparable with independent transactions in any of the following cases: 1- The absence of significant differences that materially affect the financial indicator under examination under the appropriate transfer pricing method"; and Paragraph (B) of Article (12) of the Transfer Pricing Instructions provides that: "The Authority may adjust the financial indicator if the financial indicator derived from the transaction between related persons or from combined transactions falls outside the arm's length range, provided that the financial indicator is adjusted in a manner that reflects the characteristics and circumstances of the case with the greatest degree of accuracy and falls within the arm's length range"; and based on Article (15) thereof, relating to general obligations, which provides that: "A- The Authority shall have the authority to request any information relating to transactions between related persons that it deems necessary to perform its regulatory duties and achieve the objectives of these Instructions. B- Without prejudice to the provisions of Article 19 (Exceptions) of these Instructions, a taxpayer who is a party to a transaction between related persons shall maintain documentation proving that such transactions are conducted on an arm's length basis. C- The taxpayer shall maintain sufficient documentation containing economic information and analysis to prove that the conditions of its controlled transactions are conducted in accordance with the arm's length principle, and such documentation must be available for review by the Authority upon request. D- Documents related to transactions between related persons must be provided to the Authority upon request from the Authority within the period specified by the Authority, provided that the period is not less than thirty (30) days from the date of the request"; and based on Paragraph (4.3.4) of the Transfer Pricing Manual, which provides that: "Every person found during the database search must be evaluated to determine its degree of comparability with the tested party. In this regard, every person must be evaluated to determine its degree of comparability in terms of functions performed, risk characteristics, sector, and any other relevant factor—as applicable. The Authority does not consider providing substantial information obtained from a database as sufficient to accept the persons selected for comparison unless the degree of comparability of those persons is verified"; and based on Paragraph (4.3.6) of the Manual, which includes: "To prevent the influence of exceptional cases and extreme outliers, a statistical approach must be followed in calculating the arm's length price range. Accordingly, prices/values falling within the interquartile range are considered the appropriate range for margins based on arm's length prices. Although any point falling within this range may be considered consistent with the arm's length principle, the Authority considers the use of the median in determining the transfer pricing policy to be the most appropriate application unless the taxpayer proves otherwise in specific cases"; and Paragraph (4.3.2) includes: "The instructions do not refer to a specific database, and the Authority will not automatically reject the use of data obtained from specific databases if that database is available to the Authority. However, taxpayers must prove the appropriateness of using a specific database in the analysis. Financial information for independent transactions or data of independent people can be obtained and public databases and other available sources of information can be used in most cases. In addition to the above, the use of confidential information for comparison or reliance thereon in any manner for analysis purposes will not be permitted"; and based on Paragraph (3.3.4) of the Manual, which includes: "For the purposes of normalizing data of comparable persons, the search range must include data for three consecutive years, and the comparable persons must not have incurred losses during the years covered within the scope of analysis. The arm's length price range is calculated using the weighted average for the years covered within the scope of analysis. All other search criteria must align with the tested party, where the taxpayer must be able to support all steps taken to obtain a set of comparable people". Based on the foregoing, and whereas the core dispute regarding the Authority's rejection of the comparable companies stems from them being "a subsidiary of a corporate group, and a corporate group is not limited only to shareholders, but includes the existence of subsidiaries to the entity, which applies to the company"; and upon the Circuit's review of the case file, it became evident that the Authority submitted a screenshot from the database showing that each of the companies (... , ... , ... , ... , ... , ...) is non-independent in that some are 100% owned by parent companies and exist within subsidiary groups, demonstrating that the visible independence indicator is (D), and that the Authority pleads that these companies are non-independent based on the screenshot attached in its appeal from the (BVD) platform, whereas the taxpayer pleads screenshots from the same platform showing that the companies are categorized as (A) and are independent. Accordingly, regarding the Authority's appeal concerning (...) Company, by comparing the screenshots submitted by the taxpayer, it is evident that the Authority submitted screenshots from the (BVD) website showing that the subsidiary's joining date was 10/2019 AD—i.e., in the year under dispute—whereas the taxpayer submitted a screenshot evident to be for the year 2023 AD—i.e., a year subsequent to the year under dispute; and since the aforementioned company is indeed non-independent, with the visible independence indicator being (F), the validity of the Authority's procedure in rejecting the comparable company becomes evident, as the lack of independence impacts market prices by being affected by controlled entities; the Circuit consequently concludes to accept the Authority's appeal and annul the decision of the Resolution Circuit regarding (...) Company.

As for the Authority's appeal concerning (...) Company, by comparing the screenshots submitted by the taxpayer and the Authority, it became evident to the Circuit that the Authority submitted screenshots from the (BVD) website showing that the joining date of the two subsidiaries to the aforementioned company was prior to the end of the fiscal year 2019 AD, and the taxpayer did not submit any document clarifying the year in which the screenshot was saved from the website; and since the aforementioned company is indeed non-independent, with the visible independence indicator being (D), the validity of the Authority's procedure in rejecting the comparable company becomes evident, as the lack of independence impacts market prices by being affected by controlled entities; the Circuit consequently concludes to accept the Authority's appeal and annul the decision of the Resolution Circuit regarding (...) Company.

Regarding (...) Company, where the dispute lies in the Authority's plea that the taxpayer did not submit financial information for the year 2019 AD for the referenced company, and upon the Circuit's review of the case file and submitted documents, the validity of the Authority's plea became evident to it, as an update was conducted by the Authority on the years approved in the study to include the years 2017 AD–2019 AD in accordance with Paragraph (3.3.4) of the Transfer Pricing Manual as follows: "It is necessary to determine the years falling within the scope of analysis. The years falling within the scope of analysis are considered the years in which the date of transactions between related persons belonging to the taxpayer occurs, whose prices will be verified for compliance with the arm's length principle"; the Circuit consequently concludes to accept the Authority's appeal regarding (...) Company.

As for the taxpayer's appeal regarding (...) Company, where the dispute lies in considering the comparable company as belonging to a corporate group and not independent to be relied upon, upon the Circuit's review of the case file and the supplementary memorandum submitted by the Authority, it became evident that the Authority pleads that the company belongs to a corporate group and the activities of the subsidiaries differ ("contracting, personal loan solutions, interior design"), and that the company's activity includes discussing and negotiating with banks regarding loans on behalf of clients. Upon reviewing the company's website in the screenshot provided in the Authority's memorandum, it is evident that the company's primary activity is providing advisory services in multiple fields including tax, law, accounting, and auditing, and is not as claimed by the Authority. As for its plea that the activity of the subsidiaries differs, it is evident that there is no impact on the comparable company, and it is clear that the Authority did not submit any documents proving that the company is non-comparable; and since the taxpayer submitted documents proving its position, the Circuit consequently concludes to accept the taxpayer's appeal and annul the decision of the Resolution Circuit regarding (...) Company.

Regarding the Authority's appeal on the item of (Late Payment Penalty), based on the text of Paragraph (A) of Article (77) of the Income Tax Law issued by Royal Decree No. (M/1) dated 15/01/1425 AH, which provides 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, including delay in paying the tax required to be withheld and advance payments, calculated from the due date of the tax to the date of payment"; and based on Paragraph (1) of Article (68) of the Implementing Regulations of the Income Tax Law issued by Ministerial Decision No. (1535) dated 11/06/1425 AH, which provides that: "There shall be added to the penalties set forth in the preceding Article 1% of the unpaid tax for every thirty days of delay in the following cases: B- Delay in paying tax due under an assessment made by the Authority"; and based on Paragraph (3) of Article (67) of the same Regulations, which includes: "Unpaid tax means the difference between what the taxpayer paid by the statutory due date and the tax due for payment under the provisions of the Law, including adjustments made by the Department that have become final as set forth in Paragraph (2) of Article (Seventy-One) of these Regulations, including contested cases where the penalty is calculated from the statutory due date for filing the return and payment". Based on the foregoing, and whereas the decision of the Circuit on the item of (Transfer Pricing - in relation to comparable companies and the interquartile range) referenced above concluded to accept the Authority's appeal regarding the companies (... , ... , ...); accordingly, the Circuit concludes to amend the decision of the Resolution Circuit regarding the item of late payment penalty, to the effect that the Authority has the right to re-assess the taxpayer after taking into consideration the companies accepted for comparison according to the issued appeal decision, obtaining the interquartile range, and recalculating penalties based on the new assessment; the Circuit consequently concludes to amend the decision of the Resolution Circuit regarding the Authority's appeal on the item of (Late Payment Penalty).

And whereas regarding the appeals of both the taxpayer and the Authority on the remaining items subject to the case, and whereas there is no fault upon the Circuit in adopting the grounds of the contested decision without addition thereto whenever it considers that those grounds obviate the need to adduce anything new, because in affirming it based on the grounds it carried, it is confirmed that it found nothing in the challenges directed against the decision deserving a response beyond what those grounds contained; and whereas that was the case, and as it is established that the contested decision regarding the dispute over the appealed items came in conformity with the sound grounds upon which it was built—which are sufficient to support its ruling—since the Circuit issuing it undertook the scrutiny of the core dispute therein and concluded in respect thereof to the result it arrived at in its operative part; and as this Circuit noticed nothing requiring correction or commentary in respect thereof in light of the defenses raised before it; this Circuit consequently concludes to reject the taxpayer's appeal, reject the Authority's appeal, and affirm the decision of the Resolution Circuit subject of the appeal regarding the result it reached on the remaining items subject to the case, based on its grounds.

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

Decision

First: Acceptance of the appeal procedurally, filed by the taxpayer / (...) Company Branch, Commercial Registration No. (...), Tax Identification Number (...), and the appeal filed by the Zakat, Tax and Customs Authority, against the decision of the Second Circuit for Adjudication of Income Tax Violations and Disputes in Riyadh City, No. (ISR-2024-230244), issued in Case No. (I-2024-230244) concerning the tax assessment for the year 2019 AD.

Second: On the merits:

1- Regarding the appeals of both parties on the item of (Transfer Pricing - in relation to comparable companies and the interquartile range):
    a. Acceptance of the Authority's appeal and annulment of the decision of the Resolution Circuit regarding the companies: (… , … , …).
    b. Rejection of the Authority's appeal and affirmation of the decision of the Resolution Circuit regarding the companies: (… , … , … , … , … , …).
    c. Acceptance of the taxpayer's appeal and annulment of the decision of the Resolution Circuit regarding (…) Company.
2- Amendment of the decision of the Resolution Circuit regarding the Authority's appeal on the item of (Late Payment Penalty).
3- Rejection of the taxpayer's appeal and affirmation of the decision of the Resolution Circuit regarding the item of (Transfer Pricing - in relation to determining the branch's Profit Level Indicator).

Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Income Tax Violations and Disputes

Decision No IR-2025-242980

Case No. I-2024-242980

Keywords:

Income Tax – Carried-Forward Losses and Supplies – Rejection of the Taxpayer's Appeal – Amendment of the Resolution Circuit's Decision Regarding Late Payment Penalty – Affirmation of the Resolution Circuit's Decision in All Other Respects.

Summary:

The Taxpayer's appeal against the Appellee relating to income tax, whereas his objection centered on the Resolution Circuit's decision which ruled to reject his lawsuit regarding the tax assessment for the year 2017 and late payment penalty. The Taxpayer clarified the non-statutory nature of imposing the late payment penalty before the tax becomes final upon the conclusion of the litigation and objection procedures. And whereas the Appeal Circuit relied on the Resolution Circuit's decision's conformity with the Law regarding the basic assessment items, while amending it partially regarding the penalty item because the Taxpayer, in cases of estimated assessment, cannot know the differences and pay them except from the date of his notification of the assessment; the implication of this is: acceptance of the appeal procedurally, and on the merits by rejecting it, upholding the Resolution Circuit's decision regarding the assessment items, and amending it partially by calculating the late payment penalty from the date of the Authority's notification of the estimated assessment.

Document

- The Rules of Operation for Zakat, Tax and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH.
- Paragraph (a) of Article (77) of the Income Tax Law, issued by Royal Decree No. (M/1) dated 15/01/1425 AH.
- Paragraph (1) of Article (68), Paragraph (3) of Article (67), and Paragraph (2) of Article (71) of the Implementing Regulations of the Income Tax Law, issued by Ministerial Resolution No. (1535) dated 11/06/1425 AH.

Facts:

And this is to consider the appeal filed on 19/09/2024 AD by / (...) (National ID No. ...) in his capacity as manager of the appellant company's branch pursuant to the foreign power of attorney and commercial registration, against the decision of the First Circuit for Adjudication of Income Tax Violations and Disputes in the Governorate of Jeddah, No. (IZJ-2024-212183), issued in Case No. (I-2023-212183) concerning the tax assessment for the year 2017 AD, in the case submitted by the appellant against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

First/A: Rejection of the plaintiff's objection to the item of the Authority's assessment notification for the year 2017 AD, in accordance with the grounds of the decision.

First/B: Rejection of the plaintiff's objection to the item of the Authority's assessment notification regarding the lapse of the prescribed period for the year 2017 AD, in accordance with the grounds of the decision.

Second: Rejection of the plaintiff's objection to the item of deeming a profit margin of (7.43%) on the supply of goods conducted from outside the Kingdom to clients inside the Kingdom.

Third: Rejection of the plaintiff's objection to the item of deeming a profit margin of (7.43%) on discounts under Contract (...) for the year 2017 AD.

Fourth: Rejection of the plaintiff's objection to the item of adjusted carried-forward losses up to a maximum of (25%) of its share in the profit as per its return for the year 2017 AD.

Fifth: Rejection of the plaintiff's objection to the item of the late payment penalty for the year 2017 AD.

Whereas this decision was not accepted by the taxpayer, it submitted an appeal memorandum reviewed by the Circuit, which included a summary regarding the item of (Late Payment Penalty for the year 2017 AD) stating that the late payment penalty imposed by the Authority applies to items that are themselves subject to objection, and that it arose due to a clear and genuine difference of opinion between the Authority and the company's branch. Committees have ruled in numerous objections not to impose a late payment penalty when a genuine difference of opinion exists between the Authority and taxpayers. It added that pursuant to Paragraph (A) of Article (77) of the Income Tax Law and Article (68) of the Implementing Regulations of the Law, the late payment penalty is calculated from the due date of the tax until the date of payment; thus, the calculation of the late payment penalty commences from the date on which the tax becomes final, which occurs only after the taxpayer accepts the assessment or upon the conclusion of objection procedures. The taxpayer also objects to the item of (Lapse of the prescribed period for the year 2017 AD), the item of (Deeming a profit margin of 7.43% on the supply of goods conducted from outside the Kingdom of Saudi Arabia to clients inside the Kingdom), the item of (Deeming a profit margin of 7.43% on discounts under Contract (...) for the year 2017 AD), and the item of (Adjusted carried-forward losses capped at 25% of taxable profits per the submitted return for the year 2017 AD), requesting the annulment of the Resolution Circuit's decision regarding the appealed items for the reasons set forth above.

On Tuesday, 28/01/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its session at exactly 11:24 AM in the presence of its members whose names are recorded above, via visual communication in accordance with the procedures of remote visual litigation; based on what is stated in Item No. (1) of Article Fifteen of the Rules of Operation for the Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. By calling upon the litigants, there attended / (...), National ID No. (...), in his capacity as the Appellant's representative by virtue of a foreign power of attorney authenticated by the Ministry of Justice under No. (...) issued on 29/01/1445 AH, and Law Practice License No. (...). And there attended the Appellee's representative / (...), (National ID No. ...), by virtue of an authorization issued by the Vice Governor of the Zakat, Tax and Customs Authority for Legal Affairs under No. (...) dated 19/03/1445 AH. Upon asking the Appellee's representative what she wishes to add, she stated that she adheres to what was previously submitted in this lawsuit. By presenting this to the Appellant's representative, he answered by adhering to what was previously submitted in this lawsuit. Upon asking both parties what they wish to add, they decided to be satisfied with what was previously submitted; accordingly, the Circuit decided to close the hearing of pleadings and reserve the case for adjudication.

Grounds

And whereas by reviewing the case documents and the appeal brief submitted by the Taxpayer, it became evident to the Circuit that the conditions for considering the appeal procedurally have been fulfilled in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; a matter with which the appeal request is procedurally acceptable for being submitted by a party with standing, and within the statutory period prescribed for its execution.

On the merits, and whereas regarding the Taxpayer's appeal concerning the (Statute of limitations for the year 2017) item, the (Applying a profit margin to goods supply operations conducted from outside the Kingdom of Saudi Arabia to clients inside the Kingdom at a profit rate of 7.43%) item, the (Applying a profit margin to the discounts of contract (...) at a rate of 7.43% for the year 2017) item, and the (Carried forward losses adjusted to the limit of 25% of the taxable profits as per the submitted return for the year 2017) item; and whereas there is no impediment for the Circuit to adopt the grounds of the appealed decision without adding to them whenever it assesses that those grounds dispense with the need to introduce anything new, because by upholding them along with what those grounds contained, it is confirmed that it did not find in the challenges directed at the decision anything warranting a response beyond what those grounds included. Since that is the case, and it is established that the appealed decision regarding the dispute concerning the appealed items came in accordance with the sound grounds upon which it was based and which are sufficient to support its ruling, as the issuing Circuit undertook the scrutiny of the core of the dispute therein and concluded regarding it to the result it reached in its operative part. And whereas this Circuit did not notice anything necessitating correction or commentary regarding it in light of the submitted defenses raised before it, a matter with which this Circuit concludes to reject the Taxpayer's appeal and uphold the Resolution Circuit's appealed decision in the result it concluded in these items, carried upon its grounds.

And whereas regarding the Taxpayer's appeal concerning the (Late payment penalty for the year 2017) item, 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 that are in themselves under objection, and that it arose due to the existence of a real 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 Seventy-Six 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, and this includes delay in paying the tax required to be withheld and the advance payments, and it is calculated from the tax due date to the payment date." 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: "An amount of 1% of the unpaid tax for every thirty days of delay shall be added to the penalties set forth in the previous Article in the following cases: B- Delay in paying the tax due under the Authority's assessment." Furthermore, Paragraph (3) of Article (67) of the same Regulations stipulated that: "Unpaid tax means the difference between what the taxpayer paid on the statutory due date and the tax due for payment under the provisions of the Law, and it includes the adjustments made by the Department which have become final as set forth in Paragraph (2) of Article Seventy-One of these Regulations, including the objected cases, where the penalty is calculated from the statutory due date for submitting the return and payment." Based on the foregoing, and whereas the late payment penalty is calculated from the date the tax is due on the taxpayer, however, in the event the tax is due under an estimated assessment, the calculation of the late payment penalty shall be from the date of the Authority's notification of the tax assessment, as the taxpayer is not able to pay the difference in the tax due under the estimated assessment until after the Authority issues the assessment subject of the objection. A matter with which the Circuit concludes to partially accept the Taxpayer's appeal and amend the Resolution Circuit's decision by calculating the late payment penalty from the date of the Authority's notification of the estimated assessment.

Based on the foregoing and invoking the stated grounds, the Circuit unanimously decided the following:

Decision

First: Acceptance of the appeal procedurally, filed by the appellant, the taxpayer / (...) Company Branch, Commercial Registration No. (...), Tax Identification Number (...), against the decision of the First Circuit for Adjudication of Income Tax Violations and Disputes in the Governorate of Jeddah, No.

(IZJ-2024-212183), issued in Case No. (I-2023-212183) concerning the tax assessment for the year 2017 AD.

Second: On the merits:

1- Rejection of the taxpayer's appeal and affirmation of the decision of the Resolution Circuit regarding the item of (Lapse of the prescribed period for the year 2017 AD).
2- Rejection of the taxpayer's appeal and affirmation of the decision of the Resolution Circuit regarding the item of (Deeming a profit margin of 7.43% on the supply of goods conducted from outside the Kingdom of Saudi Arabia to clients inside the Kingdom).
3- Rejection of the taxpayer's appeal and affirmation of the decision of the Resolution Circuit regarding the item of (Deeming a profit margin of 7.43% on discounts under Contract (...) for the year 2017 AD).
4- Rejection of the taxpayer's appeal and affirmation of the decision of the Resolution Circuit regarding the item of (Adjusted carried-forward losses capped at 25% of taxable profits per the submitted return for the year 2017 AD).
5- Amendment of the decision of the Resolution Circuit regarding the taxpayer's appeal on the item of (Late Payment Penalty for the year 2017 AD).

Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Income Tax Violations and Disputes

Decision No IR-2025-243554

Case No. IW-2024-243554

Keywords:

Income Tax – Taxable Income – Acceptance of the Appeal – Annulment of the Decision – Remanding the Case to the First-Instance Committee.

Summary:

The Taxpayer's appeal against the Appellee relating to income tax, whereas his objection centered on the Resolution Circuit's decision which ruled to reject his objection on the merits regarding the tax assessments and imposed penalties from the years 2006 to 2014. The Taxpayer clarified the availability of documents and construction plans supporting the validity of his defenses, along with the proven impossibility of him obtaining the official unit pricing, which contradicts the basis of the assessment. And whereas the Appeal Circuit relied on the fact that the Resolution Circuit should have appointed an expert to determine that pricing in order to scrutinize the facts and specify the object of the obligation, and because scrutinizing the presumptions and evidence is a duty that guarantees the right of the parties to the lawsuit to a two-tier litigation; the implication of this is: acceptance of the appeal procedurally, and on the merits by remanding the lawsuit to the Resolution Committee to consider it in accordance with the grounds and reasoning.

Document

- Articles (25 – 26) of the Rules of Operation for Zakat, Tax and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH.

Facts:

With reference to Decision No. (IR-2024-238777) dated 05/08/2024 AD issued by the First Appeal Circuit for Income Tax Violations and Disputes in Petition No. (IW-2024-238777), which provided for: "First: Acceptance of the petition for reconsideration procedurally filed by the petitioner, the taxpayer / (...) Company, Commercial Registration No. (...), Tax Identification Number (...), against the decision of the First Appeal Circuit for Income Tax Violations and Disputes No. (IR-2024-204918), issued in Case No. (IW-2023-204918) concerning the tax assessments for the years from (2006 AD) to (2014 AD). Second: On the merits: Acceptance of the petition for reconsideration, and remanding the case to the First Appeal

Circuit for Income Tax Violations and Disputes for consideration, in accordance with the grounds and reasons set forth in this decision."; this Circuit accordingly decided to consider the case on the merits pursuant to its decision issued in the aforementioned petition.

Whereas the appeal was re-submitted on 08/10/2024 AD by / (...) (National ID No. ...) in his capacity as legal counsel for the appellant pursuant to the foreign power of attorney authenticated by the Ministry of Justice and Ministry of Foreign Affairs under No. (...), holding Advocacy License No. (...), against the decision of the Second Circuit for Adjudication of Income Tax Violations and Disputes in Riyadh City, No. (ISR-2023-127704), issued in Case No. (IW-2022-127704) concerning the tax assessments for the years from 2006 AD to 2014 AD, in the case submitted by the taxpayer against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

First: Acceptance of the case submitted by the plaintiff / (...) Company, Tax Identification Number (...), against the defendant / Zakat, Tax and Customs Authority, procedurally.

Second: On the merits:

1/A: Rejection of the plaintiff's objection regarding considering that it has a permanent establishment in the Kingdom.

1/B: Rejection of the plaintiff's objection regarding imposing a presumptive profit on the company's revenues estimated by the defendant.

2: Rejection of the plaintiff's objection regarding the item of withholding tax.

3/A: Rejection of the plaintiff's objection regarding imposing the concealment penalty.

3/B: Rejection of the plaintiff's objection regarding imposing the non-registration penalty.

3/C: Rejection of the plaintiff's objection regarding imposing the penalty for non-submission of the return.

3/D: Amendment of the defendant's procedure regarding the item of late payment penalty, in accordance with what is stated in the grounds.

Whereas this decision was not accepted by the taxpayer, it submitted an appeal memorandum reviewed by the Circuit, which included a summary that the taxpayer requests the acceptance of its appeal and the annulment of the Resolution Circuit's contested decision.

On Sunday, corresponding to 05/01/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its session in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with remote litigation procedures; based on Item No. (1) of Article (Fifteen) of the Rules of Operation for the Zakat, Tax and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH; and after reviewing the appeal request, the submitted memorandums, and the documents contained in the case file, and after deliberation, and whereas the case is ready for adjudication in its current state, and as the Circuit found no necessity for the attendance of the parties to the case, the Circuit decided to close the pleadings and reserve the case for judgment.

Grounds

And whereas by reviewing the case documents and the appeal brief submitted by the Taxpayer, it became evident to the Circuit that the conditions for considering the appeal procedurally have been fulfilled in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; a matter with which the appeal request is procedurally acceptable for being submitted by a party with standing, and within the statutory period prescribed for its execution.

On the merits, and after reviewing the case file and the documents it contained, and whereas the Taxpayer submitted a petition for reconsideration registered under No. (238777-2024-IW) against the decision issued by this Circuit under No. (204918-2024-IR) in the lawsuit registered under No. (204918-2023-IW), whose operative part ruled to accept the petition for reconsideration and remand the lawsuit to the First Appeal Circuit for Income Tax Violations and Disputes to consider it, regarding the (Unit prices) item, the (Unit types) item, and the (15% operational fees) item.

And whereas the Taxpayer argues the existence of documents related to the pricing issued by the Ministry of Commerce, and the approved prices for the years from 1430 AH (2008 AD) to 1436 AH (2014 AD). And whereas the Taxpayer communicated with the Ministry of Commerce via email to provide him with the unit prices for the years from 2008 AD to 2014 AD, which are the audited years, and whereas the response from the Ministry of Commerce was that his request is (outside the jurisdiction of the Ministry of Commerce). This contradicts the document that the Authority claims it relied upon in its assessment on the Company, in addition to the operating company's letter and copies of the units' construction plan which clarifies that they are not royal suites, and all documents supporting the validity of its viewpoint.

And whereas it became evident to the Circuit the impossibility of the Taxpayer obtaining the unit pricing from official entities, and whereas estimating the object of the Taxpayer's obligation in this lawsuit must be determined in order to adjudicate this lawsuit, the Resolution Circuit should have appointed an expert to determine the unit pricing in accordance with the text of Articles (25) and (26) of the Rules of Operation for the Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. This is in application of the principle established by the Supreme Judicial Council in its decision No. (34/5) dated 11/02/1431 AH, which stipulated: "It is known that the judge is not obliged to bring evidence that the litigants did not bring despite his ability to do so, but it is not permissible for him (i.e., the judge) to leave what can be done that reveals the truth and brings it to light upon the existence of presumptions and evidence that need to be reinforced by the judge's scrutiny. Furthermore, the judge's proactiveness towards proving rights and his investigation into the incident in a manner that reveals the truth therein [is required], and proving the facts is not restricted to the plaintiff; rather, if the evidence requires discovery and investigation by the judge, he undertakes it, and this is not considered a breach of the neutrality required of the judge."

Accordingly, and to guarantee the right of the parties to the lawsuit to a two-tier litigation, the Circuit concludes to remand the lawsuit to the Resolution Circuit in accordance with the stated grounds.

Based on the foregoing and invoking the stated grounds, the Circuit unanimously decided the following:

Decision

First: Acceptance of the appeal procedurally, filed by the appellant, the taxpayer / (...) Company, Commercial Registration No. (...), Tax Identification Number (...), against the decision of the Second Circuit for Adjudication of Income Tax Violations and Disputes in Riyadh City, No. (ISR-2023-127704), issued in Case No. (IW-2022-127704) concerning the tax assessments for the years from 2006 AD to 2014 AD.

Second: On the merits:

Remanding the case to the Adjudication Committee in accordance with the grounds and reasons set forth in this decision.

Appeal Committee for Tax Violations and Disputes

First Appeal Circuit for Income Tax Violations and Disputes

Decision No IR-2025-246726

Case No. I-2024-246726

Keywords:

Income Tax – Presumptive Assessment – Acceptance of the Appeal – Annulment of the Decision – Remanding the Case to the First-Instance Committee.

Summary:

The Taxpayer's appeal against the Appellee relating to income tax, whereas his objection centered on the Resolution Circuit's decision which ruled not to accept the lawsuit procedurally regarding his objection to the tax assessment and evasion penalty for the year 2017. The Taxpayer clarified that he filed his initial lawsuit within the statutory time limit, fulfilling the prescribed basic requirements and data. And whereas the Appeal Circuit relied on the proven fact that the previously closed lawsuit file contained the basic requirements and documents, such as the commercial register and the notarized power of attorney, which negates the lapse of the time limit; the implication of this is: acceptance of the appeal procedurally and on the merits, annulling the Resolution Circuit's decision, and remanding the lawsuit to it to consider it on the merits.

Document

- Paragraph (11) of the Rules of Operation for Zakat, Tax and Customs Committees, issued by Royal Order No. (25711) dated 08/04/1445 AH.

Facts:

And this is to consider the appeal filed on 24/12/2024 AD by / (...) (National ID No. ...) in his capacity as legal counsel for the appellant company pursuant to the foreign power of attorney authenticated by the competent authorities, holding Advocacy License No. (...), against the decision of the First Circuit for Adjudication of Income Tax Violations and Disputes in the Governorate of Jeddah, No. (IZJ-2024-240710), issued in Case No. (I-2024-240710) concerning the objection to the income tax assessment for the year 2017 AD and the tax evasion penalty, in the case submitted by the appellant against the Zakat, Tax and Customs Authority, wherein the decision of the Resolution Circuit ruled as follows:

Non-acceptance of the case procedurally.

Whereas this decision was not accepted by the taxpayer, it submitted an appeal memorandum reviewed by the Circuit, which included a summary that following the Authority's refusal of its objection, the taxpayer filed its grievance before the Committee for Adjudication of Tax Violations and Disputes within the statutory period prescribed under Article (5) of the Rules of Operation for the Zakat, Tax and Customs Committees. The taxpayer continued to follow up on the status of the case on the website of the General Secretariat of the Zakat, Tax and Customs Committees, and was not notified of any deficiencies regarding the filing of the case. The taxpayer communicated with the Secretariat via email to verify the status and registration of the case, and the Secretariat's response was received as shown in Attachment No. (4). Whereas the taxpayer was not notified of the existence of deficiencies, let alone informed of the details of such deficiencies, the taxpayer communicated with the Secretariat via email confirming that it had not received any notification regarding the existence of deficiencies or their details. It further requested the reopening of the case and to be notified of any deficiencies for the purpose of completing the case registration. Whereas the taxpayer received no response from the Secretariat regarding its request to reopen the case and be notified of the deficiencies, it filed a new case. The taxpayer affirmed to the Adjudication Committee—during the hearing of the new case—that it had not received any notification regarding any deficiencies in the previous case, nor did the Authority produce during the hearing of the new case anything proving that the taxpayer was notified of the deficiencies. Accordingly, the taxpayer requests the annulment of the Resolution Circuit's decision subject of the appeal for the reasons set forth above.

On Tuesday, 11/03/2025 AD, the First Appeal Circuit for Income Tax Violations and Disputes held its session at exactly 03:16 PM in the presence of its members whose names are recorded in the minutes, via visual communication in accordance with the procedures of remote visual litigation; based on what is stated in Item No. (1) of Article Fifteen of the Rules of Operation for the Zakat, Tax and Customs Committees issued by Royal Decree No. (25711) dated 08/04/1445 AH. By calling upon the litigants, there attended / (...), National ID No. (...), in his capacity as the Appellant's representative by virtue of the foreign power of attorney No. (...) authenticated by the Saudi Ministry of Justice under No. (...) dated 19/07/1446 AH, and Law Practice License No. (...). And there attended the Appellee's representative / (...), (National ID No. ...), by virtue of an authorization issued by the Vice Governor of the Zakat, Tax and Customs Authority for Legal Affairs and Compliance under No. (...), dated 19/03/1445 AH. Upon asking the Appellant's representative what he wishes to add, he stated that he adheres to what was previously submitted in this lawsuit and emphasizes the decisions issued in favor of the Taxpayer by the First Appeal Circuit for Income Tax Violations and Disputes. By presenting this to the Appellee's representative, he answered by adhering to what was previously submitted in this lawsuit. Upon asking both parties what they wish to add, they decided to be satisfied with what was previously submitted. And after closing the hearing of pleadings and deliberation

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Grounds

And whereas by reviewing the case documents and the appeal brief submitted by the Taxpayer, it became evident to the Circuit that the conditions for considering the appeal procedurally have been fulfilled in accordance with the conditions stipulated in the relevant laws, regulations, and decisions; a matter with which the appeal request is procedurally acceptable for being submitted by a party with standing, and within the statutory period prescribed for its execution.

On the merits, and after reviewing the appeal brief and what the parties submitted during the memorandum exchange phase, and whereas the Appellant mentioned that he filed the lawsuit registered under No. (GSTC-2024-235384) within the statutory period and it was closed due to incomplete documents, and the Appellee argues the lapse of the statutory period for filing the grievance lawsuit. By referring back to the closed lawsuit, it became evident that it fulfills the required data for filing the lawsuit in accordance with the provisions of Article (Eleven) of the Rules of Operation of the Committees, which stipulated:

"Mechanism for filing the lawsuit and its data: 1- The lawsuit shall be filed in accordance with the requirements specified by the General Secretariat, fulfilling the following data: [a] The full name of the plaintiff, and his ID number if he is a natural person; and if he is a legal person, the articles of incorporation, his commercial register number, and the address of his head office or branch if the lawsuit relates to this branch. b- The Tax Identification Number (TIN), if any. c- The objection number with the Authority, its date, its result, and a copy of the objected decision. d- The full name of the agent or legal representative - as the case may be - his ID number, his place of residence, and his workplace, if any. e- Determining the communication method or methods of the plaintiff through which he or his representative can be reached, including the mobile number. f- The subject of the lawsuit, what the plaintiff requests, and his grounds. g- The date of notification of the decision of the Authority or the concerned internal committee and its result, with respect to the referred objection. More than one objection with the Authority shall not be combined in a single statement of claim, and a separate lawsuit shall be filed for each objection... if any. 2- The lawsuit related to customs evasion crimes and the like, and attempting any of them falling within the jurisdiction of the customs committee circuits, shall be filed by the competent entity, through the electronic system and in accordance with the requirements specified by the General Secretariat, fulfilling the data stated in the Law of Criminal Procedure and its Implementing Regulations.

A lawsuit fulfilling the prescribed requirements and data shall be deemed filed from the date of its submission. In the event the requirements and data are not fulfilled, the submitter must fulfill what is missing within fifteen days from the date of his notification of such deficiency. If he does not fulfill what was requested of him within the mentioned period, the lawsuit shall be deemed as if it did not exist, and the plaintiff may - without prejudice to the period stipulated in Article (Five) of the Rules - file a new lawsuit to be registered with a new record. The General Secretariat may request any statutory document supporting the validity of the data referred to in this Article. And the General Secretariat shall not refer the lawsuit to the circuits for consideration until after verifying its fulfillment of the prescribed requirements and data in accordance with this Article."

Based on the foregoing, and whereas the Taxpayer filed a lawsuit under request No. (GSTC-2024-235384), and whereas it is proven from the record of proceedings that he was requested on 28/04/2024 AD to submit the - Articles of Incorporation. ("Please complete what is required within a period of (15) days, otherwise the lawsuit will be deemed as if it did not exist in accordance with what is stipulated in the Rules of Operation of the Tax Committees in Article Eight"). And whereas it was not completed within the period, and whereas the closed lawsuit file contained the commercial register certificate, and the Appellant submitted a foreign power of attorney authenticated by the Saudi Ministry of Justice, and given that the closed lawsuit file contained the basic requirements; a matter with which the Circuit concludes to accept the Taxpayer's appeal, annul the Resolution Circuit's decision, and remand the lawsuit to it to consider it on the merits.

Based on the foregoing and invoking the stated grounds, the Circuit unanimously decided the following:

Decision

First: Acceptance of the appeal procedurally, filed by the appellant, the taxpayer / (...) Company, (Tax Identification Number ...), against the decision of the First Circuit for Adjudication of Income Tax Violations and Disputes in the Governorate of Jeddah, No. (IZJ-2024-240710), issued in Case No. (I-2024-240710) concerning the objection to the income tax assessment for the year 2017 AD and the tax evasion penalty.

Second: On the merits:

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