

## Chapter 1 Definitions

### Article 1: Definitions

Wherever they appear in this Law, each of the following words or terms will carry the meaning beside it unless the context indicates otherwise.

- The Minister The Minister of Finance
- The Department The Department of Zakat and Income Tax
- Tax Income tax imposed in accordance with this Law
- Person Any natural or legal person
- Taxpayer Any person who is subject to tax in accordance with this Law
- Activity Any commercial, professional, trade or any other similar activity carried out to make profit. This includes the use of movable or immovable property
- Royalties Payments received for the use or the right to use intellectual rights, including, but not limited to, copyright, patents, industrial designs and secrets, trade marks and names, knowledge, trade and business secrets or goodwill; or for the use of information related to industrial, trade or scientific expertise, or for the rights to exploitation of natural and mineral resources.
- The Kingdom The territorial lands and waters of the Kingdom of Saudi Arabia, the air space under its control, and its rights in the zone divided between the Kingdom and the State of Kuwait. This also includes marine or semi-marine areas that are under the sovereignty, sovereignty rights or jurisdiction of the Kingdom in accordance with International Law.
- Capital company A corporation, a limited liability company, or a company limited by shares. For the purpose of this Law, investment funds are considered capital companies.
- Personal company A general partnership, a silent partnership, or a limited partnership.
- Resident A natural person, a company that fulfills the conditions of Article (3) of this Law, any Saudi government agency, ministry, or other public organization, and any other legal person or organization formed in the Kingdom.
- Nonresident Any person other than a resident
- Saudi Citizen A person who holds the nationality of the Kingdom of Saudi Arabia or who is treated as a Saudi citizen.
- Commercial books The set of books the taxpayer keeps in which all his transactions are to be recorded and as described in Royal Decree M61 dated 17/12/1409 [20 July 1989] and its by-laws issued in Ministerial Resolution 699 dated 29/7/1410 [24 Feb. 1990], as amended by Ministerial Resolution 1110 dated 24/12/1410 [16 July 1990], or as amended subsequently.
- The By-law The by-law of this Law

Any word or term not defined in this Law will have the same definition it has in other Laws applicable in the Kingdom provided such definition does not conflict with this Law.

## **Chapter 2 Taxpayers**

### **Article 2: Persons subject to taxation**

- a. a resident capital company on non-Saudi shares.
- b. a resident non-Saudi natural person who does business in the Kingdom.
- c. a nonresident who does business in the Kingdom through a permanent establishment.
- d. a nonresident on other income subject to tax from sources within the Kingdom.
- e. a person engaged in natural gas investment activities.
- f. a person engaged in oil and hydrocarbons production activities

### **Article 3: Concept of Residency**

- a. A natural person is resident in the Kingdom for a taxable year if he meets any of the following conditions:
  1. he has a permanent place of abode in the Kingdom and is physically present in the Kingdom during not less than 30 days in aggregate during the taxable year;
  2. he is physically present in the Kingdom during not less than 183 days in the tax year.  
For the purpose of this paragraph, presence in the Kingdom for part of a day is considered presence for the whole day. Presence in case of transit between two points outside the Kingdom is not considered.
- b. A company is a resident company if it meets any of the following conditions:
  1. it is formed under the Companies Regulations;
  2. its place of central control and management is situated within the Kingdom.

### **Article 4: Permanent Establishment**

- a. A permanent establishment of a nonresident in the Kingdom, unless otherwise provided by this article, consists of the permanent place of activity of the nonresident through which it carries out business, in full or in part, including business carried out through an agent.
- b. The following are considered a permanent establishment:
  1. construction sites, assembly facilities, and the exercise of supervisory activities connected with them;
  2. installations or sites used for surveying for natural resources, drilling equipment, or ships used for surveying for natural resources, as well as the exercise of supervisory activities connected with them;
  3. a fixed base where a nonresident natural person carries out business;
  4. a branch of a nonresident company which is licensed to carry on business in the Kingdom.
- c. A place is not considered a permanent establishment of a nonresident in the Kingdom if it is used in the Kingdom only to do the following:
  1. store, display, or deliver goods or products belonging to the nonresident;
  2. keep a stock of goods or products belonging to the nonresident for the purpose of processing by another person;
  3. purchase goods or products only for the purpose of collection of information for the nonresident;

4. perform any other activities that are preparatory or auxiliary in nature in the interests of the nonresident;
  5. draw- up contracts for signature with regard to credits (loans), delivery of goods, or provision of technical services;
  6. execute any combination of the activities indicated in subparagraphs 1-5 of this paragraph.
- d. A nonresident partner in a resident personal company is considered to have a permanent establishment in the Kingdom in the form of a partnership interest.

#### **Article 5: Source of Income**

- a. Income is from a source in the Kingdom if it is
  1. derived from an activity which occurs in the Kingdom;
  2. derived from immovable property located in the Kingdom, including gains from the disposal of an interest in such immovable property and from the disposal of shares, stocks or partnership interests in a company the property of which consists directly or indirectly principally of interests in such property;
  3. derived from the disposal of shares or a partnership interest in a resident company;
  4. derived from the rental of movable property used in the Kingdom;
  5. derived from the sale or license of industrial or intellectual property used in the Kingdom;
  6. a dividend, management fee, or director's fee paid by a resident company;
  7. a payment for services made by a resident company to the company's head office or to an affiliated company;
  8. a payment made by a resident for services performed in whole or in part in the Kingdom;
  9. amounts for exploitation of a natural resource in the Kingdom; or
  10. attributable to a permanent establishment of a nonresident located in the Kingdom, including income attributable to sales in the Kingdom of goods of the same or similar kind as those sold through such a permanent establishment, and income arising from the rendering of services or the performance of other activity in the Kingdom of the same or similar nature as activity performed via such a permanent establishment.
- b. In determining the source of income, the place of payment of the income is not taken into account.
- c. For purposes of this article, a payment made by a permanent establishment of a nonresident in the Kingdom is considered to be made by a resident company.

### **Chapter 3**

#### **Tax Base And Tax Rates**

##### **Article 6: Tax Base**

- a. The tax base of a resident capital company is the total of non- Saudi shares in its income subject to tax from any activity within the Kingdom less any deduction allowed under this Law.
- b. The tax base of a resident non-Saudi natural person is his income subject to tax from any activity within the Kingdom less any deduction allowed under this Law.
- c. The tax base of a non-resident who exercises activity within the Kingdom through a permanent establishment is his income subject to tax arising from or related to the activity of such establishment less any deduction allowed under this Law.

- d. The taxable income of each natural person is determined separately.
- e. A capital company is taxable on its tax base separately from its shareholders or partners.

#### **Article 7: Tax Rates**

- a. The tax rate is 20% of the tax base of the following:
  - 1. a resident capital company.
  - 2. a non-Saudi resident natural person who does business.
  - 3. a nonresident person who does business in the Kingdom through a permanent establishment.
- b. The tax base of a taxpayer engaged in natural gas investment activities is subject to a tax rate of 30%.
- c. The tax base of a taxpayer engaged in oil and hydrocarbon production is subject to a tax rate of 85%.
- d. The withholding tax rates are stipulated under Article 68 of this Law.

#### **Article 8: Income Subject To Tax**

Income subject to tax is gross income that includes all income, profits, gains of any type and of any form of payment resulted from carrying out activity, including capital gains and any incidental income and other than exempt income.

#### **Article 9: Gains and Losses on Disposal of Assets**

- a. The gain or loss from the disposal of an asset is the difference between the consideration received and the cost base of the asset.
- b. No gain or loss on disposal of a depreciable asset is taken into account other than what is stipulated by Article 17 of this Law.
- c. The gain or loss on disposal by a natural person of an asset that is not used in the activity is not taken into account in determining income subject to tax.
- d. The cost base of an asset purchased, produced, manufactured, or constructed by the taxpayer is the amount paid or incurred by the taxpayer in cash or in kind in respect of the acquisition of the asset.
- e. Where a part of an asset is disposed of, the cost base of the asset is apportioned between the part of the asset retained and the part disposed of in accordance with their market values at the time of purchase.
- f. Expenses incurred to alter or improve an asset that is still being depreciated are added to the cost base of the asset.
- g. The consideration received on disposal of an asset includes the market value of consideration in kind including relief from debt encumbering the property.
- h. Where an asset is disposed of by way of gift or inheritance, the disposer is treated as having received consideration equal to the fair market value of the asset at the date of disposal, unless paragraph (i) of this Article applies.
- i. If an asset is encumbered by debt exceeding its fair market value, the disposer is treated as having received consideration equal to the amount of the debt.
- j. No gain or loss is taken into account in determining the tax base on an involuntary disposal of an asset, to the extent that the proceeds are reinvested in an asset of a like kind within one year of the involuntary disposal.  
The cost base of a replacement asset described in paragraph (j) is determined with reference to the cost base of the replaced asset.
- k. Where an asset owned by a taxpayer is converted to personal use or otherwise ceases to be used in the production of income, the taxpayer is deemed to have disposed of the asset for its fair market value, and shall recognize the resulting gain (but not loss).

**Article 10: Exempt income**

The following incomes are exempt from income tax:

- a. Capital gains realized from disposal of securities traded in the Stock Market in the Kingdom in accordance with controls specified in the By-law.
- b. gains on the disposal of property other than assets used in the activity.

**Article 11: Deduction for Contributions**

A deduction is allowed in determining the tax base of each taxpayer for contributions paid during the tax year to public agencies or philanthropic societies licensed in the Kingdom which are nonprofit organizations and are allowed to receive these contributions.

**Article 12: Outlays Connected with the Receipt of Income**

All the ordinary and necessary expenses of earning income subject to tax paid or accrued by the taxpayer during the taxable year are deductible in determining the tax base, with the exception of outlays of a capital nature and expenses that are nondeductible according to Article 13 of this Law and other provisions of this Chapter.

**Article 13: Nondeductible Expenses**

No deduction is allowed for the following:

- a. expenses not connected with the earning of income subject to tax;
- b. payments or benefits to a shareholder, a partner or their relatives which constitute wages, salaries, awards or the like or which do not represent arm's length payments for property or services.
- c. entertainment expenses;
- d. expenses of a natural person for personal consumption.
- e. income tax paid in the Kingdom or in another state;
- f. fines and penalties paid or payable to any party in the Kingdom (excluding those paid for breach of a contractual obligation);
- g. any bribe or similar payment the making of which is a criminal offence under the laws of the Kingdom, even if made abroad.

**Article 14: Bad Debts**

- a. Taxpayers are entitled to a deduction for bad debts connected with goods or services that have been sold where income from such sale was previously included in income subject to tax.
- b. The deduction is allowed at the time the debt is written off in the taxpayer's books as worthless upon due proof of its worthlessness and as specified in the By-law.

**Article 15: Deductions for Allocations to Reserve Funds**

No deductions for allocations to reserve funds shall be allowed other than doubtful debts reserve funds to banks. The By-law establishes rules and controls for these reserve funds.

**Article 16: Deductions for Research and Development Expenditures**

A deduction is allowed for expenditures on research and development connected with the earning of income subject to tax. This Article does not allow a deduction for expenditures on the acquisition of land or equipment to be used for research, such equipment being subject to depreciation under Article 17 of this Law.

**Article 17: Depreciation**

- a. A depreciation deduction is allowed for depreciation of a taxpayer's depreciable tangible or intangible assets, other than land, which are wholly or partly used in the production of income subject to tax, which has a value extending beyond the end of the taxable year, and which loses value because of wear and tear or obsolescence.
- b. Depreciable assets are classified into groups and rates as follows:
- | Sequence No. | Group  | Depreciation Rate |
|--------------|--|-------------------|
| 1.           | Fixed Buildings.   | 5%                |
| 2.           | Industrial and agricultural movable buildings.   | 10%               |
| 3.           | Factories, machines, engines, hardware and software (computer software) and equipment, including passenger cars, and cargo vehicles.             | 25%               |
| 4.           | Expenses for geological surveying, drilling, exploration, and other preliminary work to exploit and develop natural resources and their fields.  | 20%               |
| 5.           | All other tangible and intangible depreciable assets not included in previous categories, such as furniture, planes, ships, trains and goodwill. | 10%               |
- c. The depreciation deduction for each group is determined under paragraphs (d) to (l) of this Article.
- d. The depreciation deduction for each group is calculated by applying its depreciation rate determined under paragraph (b) of this Article against the balance of the group at the end of the taxable year.
- e. The balance of the group at the end of the taxable year is the total of the balance of the group at the end of the preceding taxable year after allowing for the deductions under this article for the preceding taxable year and 50 % of the cost base of assets added to the group in the taxable year and the preceding taxable year, reduced by 50% of the consideration received from the disposal of assets in the group during the taxable year and the preceding taxable year, provided that the balance may not be reduced to a negative amount.
- f. Where an asset owned by a taxpayer is converted to personal use or otherwise ceases to be used in the production of income subject to tax, the taxpayer is deemed to have disposed of the asset for its fair market value.
- g. Where 50% of the consideration received from the disposal during a taxable year and the preceding taxable year of assets in a group exceeds the balance of the group at the end of the taxable year disregarding the amount of such consideration, the balance of the group is reduced to zero and the excess is included in the taxpayer's income subject to tax.
- h. If the balance of the group at the end of the year, after allowing for the deduction under paragraph (d), is less than SR 1,000, a deduction is allowed for the amount of the balance.
- i. Where all the assets in a group are disposed of, a deduction is allowed for the balance of the group at the end of the year of assessment.
- j. Where a construction is bought or sold together with land, the total consideration shall be reasonably apportioned to arrive at a separate value of the construction.
- k. Where assets are used only in part for the production of income subject to tax, a corresponding portion of the depreciation shall be allowed as a deduction in computing the tax base.

- I. Notwithstanding the previous paragraphs, assets under BOT or BOOT contracts are depreciated over the contract period or over the contract remaining period if acquired or renewed during that period.

#### **Article 18: Repair Expenses Deduction**

- a. Deductions are permitted in respect of each group for expenses of the repair or improvement of depreciable assets belonging to that group.
- b. The amount of expenses deductible in accordance with paragraph (a) of this Article for each year is limited to 4 percent of the balance of the group value at the end of the year.
- c. An amount exceeding the restriction established in paragraph (b) of this Article shall go to increase the value of the balance of the group.

#### **Article 19: Expenditures on Geological Surveying and Work to Prepare for the Extraction of Natural Resources**

- a. Expenditures on geological surveying and work to prepare for the extraction of natural resources are deductible in the form of amortization charges at the depreciation rate as determined in paragraph (b) of Article 17 of this Law; these expenditures constitute a separate group.
- b. This article also applies to expenditures on intangible assets borne by the taxpayer in acquisition of rights to geological surveying and the processing or exploitation of natural resources.

#### **Article 20: Contributions to an Authorized Retirement Fund**

- a. A deduction is allowed for contributions by an employer to an authorized retirement fund established in accordance with the laws of the Kingdom for the benefit of an employee of the taxpayer.
- b. The deduction allowed under paragraph (a) of this Article in respect of each employee for whose benefit the contribution is made is limited to 25 percent of the employee's income, calculated without regard to contributions made by the employer.
- c. No deduction is allowed in respect of contributions by an employee to an authorized retirement fund.

#### **Article 21: Loss Carry-Forward**

- a. A net operating loss may be carried forward to the taxable year following the year in which the loss is incurred, to be deducted in determining the tax base of future taxable years until the cumulative loss is fully offset. The By-law specifies the maximum percentage of carried forward loss allowed to be annually deducted.
- b. A net operating loss is equal to the excess of the deductions allowed under this Chapter over the income subject to tax for the taxable year.
- c. In the case of a natural person, only the deductions and income from activity are taken into account in determining the amount of the net operating loss.

#### **Article 22: Taxable year**

- a. The taxable year is the same as the State's financial year.
- b. A taxpayer may use a 12-month period other than the one specified in paragraph (a) of this Article in accordance with controls specified in the By- Law.
- c. Where the taxable year for a taxpayer changes, the period between the last full taxable year prior to the change and the date on which the changed taxable year commences shall be treated as a separate short taxable year. The first year of a newly established taxpayer or the last year of a taxpayer that ceases activity or liquidates shall also be a short taxable year if not coinciding with a full year, unless it is a long taxable year in conformity with the Company Law.
- d. Groups of related companies, as defined in Article 64 of this Law, must utilize the same taxable year.

#### **Article 23: Method of Accounting**

- a. A taxpayer's method of accounting must clearly reflect the taxpayer's income.
- b. The gross income and deductions of a resident company, and any other taxpayer who keeps or is required to keep commercial books according to accounting principles generally accepted in the Kingdom, are determined according to such books after adjustments made to conform to the rules of this Law.
- c. A natural person may account for tax purposes on a cash or accrual basis, but if his gross income from business for a taxable year exceeds the amount specified in the By-law, he must account for business income on an accrual basis in all succeeding taxable years.
- d. A company which keeps or is required to keep commercial books must account for income and deductions on an accrual basis. Otherwise, it may account for tax purposes on a cash or accrual basis.
- e. Except for a change from the cash basis to the accrual basis required under paragraph (c) or (d) of this Article, a taxpayer may change its method of accounting only with the prior written permission of the Department.
- f. If the taxpayer's method of accounting is changed, adjustments to items of income, deduction, or credit, or to other items must be made in the taxable year following the change, so that no item is omitted and no item is included more than once.

#### **Article 24: Cash-Basis Accounting**

A cash-basis taxpayer must take income into account when received or made available and must take deductions into account when paid.

#### **Article 25: Accrual-Basis Accounting**

- a. An accrual-basis taxpayer must take income and deductions into account when payable.
- b. An amount is payable to the taxpayer when the taxpayer becomes entitled to receive it, even if the time for discharge of the entitlement is postponed or the entitlement is payable in installments.
- c. An amount is treated as payable by the taxpayer when all the events that determine liability have occurred.

## **Article 26: Long-Term Contracts**

(a) In the case of an accrual-method taxpayer, income and deductions relating to a long-term contract are taken into account on the basis of the percentage of the contract completed during the taxable year.

(b) The percentage of completion is determined by comparing costs allocated to the contract and incurred during the taxable year with the estimated total contract costs.

(c) In this Article, the term "long-term contract" means a contract for manufacture, installation, or construction, or the performance of related services, which is not completed within the taxable year in which work under the contract commenced, other than a contract estimated to be completed within 6 months of the date on which work under the contract commenced.

## **Article 27: Trading Stock**

(a) A taxpayer who maintains trading stock must establish and maintain inventories of such stock.

(b) A deduction is allowed for the cost of trading stock sold during the taxable year.

(c) The cost of trading stock sold in a taxable year is determined by adding to the opening trading stock the cost of goods acquired during the year, and subtracting the closing trading stock.

(d) A cash-basis taxpayer may calculate the cost of trading stock on the prime-cost or absorption-cost method, and an accrual-basis taxpayer must calculate the cost of trading stock on the absorption-cost method.

(e) The value of trading stock on hand at the end of the taxable year is the lower of its cost or market value at that date. A taxpayer should account for the trading stock on the weighted average-cost method, or any other method after a written permission of the Department is obtained. Once chosen, a stock valuation method may only be changed with the permission of the Department.

## **Chapter 7**

### **Additional (miscellaneous) Rules For Determining Tax Base**

#### **Article 28: Joint Property**

Income or deductions relating to jointly owned property are apportioned among the joint owners in proportion to their respective interests in the property.

#### **Article 29: Valuation**

(a) Where the calculation of the tax base or gross income involves a non-cash property, services, or other benefit, its fair market value on the date taken into account for tax purposes is used in determining the income.

(b) The fair market value of non-cash property transferred to an employee or other provider of services is determined without regard to any restriction on transfer.

#### **Article 30: Currency Conversion**

(a) Gross income and tax base are calculated in the Saudi Riyal.

(b) Where the calculation of income involves an amount in a currency other than the Saudi Riyal, the amount is converted at the exchange rate as notified by the Saudi Arabian Monetary Agency applying between the currency and the SR on the date of the transaction.

#### **Article 31: Indirect Payments and Benefits**

The gross income of a taxpayer includes a payment that directly or indirectly benefits the taxpayer and a payment dealt with as the taxpayer directs, which would have been income of the taxpayer if the payment had been made directly to the taxpayer.

**Article 32: Compensation Receipts**

Compensation payments received take the character of the thing that is compensated.

**Article 33: Recouped Deductions**

(a) Where a previously deducted expenditure, loss, or bad debt claim is recovered, the amount recovered is included in gross income for the year in which it is recovered and takes the character of the income to which the deduction related.

(b) For the purposes of this article, a deduction is considered recovered in the absence of the basis for the deduction.

**Article 34: Presumptive Taxation**

(a) If branches or subsidiaries of foreign airline, sea or land shipping and transportation companies operating in the Kingdom fail to file a proof of their tax base in accordance with this Law, the tax base will be determined as follows:

(1) The tax base from the airline business for branches or subsidiaries of foreign airline companies operating in the Kingdom will be 5 percent of gross income realized in the Kingdom from tickets, shipping freight, mail or any other income. Such branches are required to file returns showing their gross income in the Kingdom in the prescribed terms under this Law.

(2) The tax base for shipping and transportation business of branches or subsidiaries of foreign shipping, land and sea transportation companies operating in the Kingdom will be 5 percent of gross income realized in the Kingdom from charges for freight or any other income. Such branches are required to file returns showing their gross income in the Kingdom in the prescribed terms under this Law.

(b) The Minister may authorize certain other sectors to be subject to presumptive taxation according to bases and rates specified in the By-law.

**Article 35: International Agreements**

To the extent that the terms of a treaty or other international agreement to which the Kingdom of Saudi Arabia is a party are inconsistent with the provisions of this Law (apart from the anti-avoidance provisions of Article 63 of this Law) the terms of the treaty or international agreement prevail over the provisions of this Law.

**Chapter 8****Principles Of Taxation For Personal Companies****Article 36: General Provisions**

(a) The partners rather than the personal company are taxed, but the personal company is required to file an information declaration. The information declaration is to show the income, gain, loss, deductions, credits, and other items or tax attributes of the personal company for the taxable year, and is subject to procedural rules, including penalties, applicable to tax returns under this Law.

(b) The personal company, rather than its partners, shall be responsible for making any applicable elections under this Law, such as choice of taxable year, accounting method and inventory method, and for filing notices and statements required in relation to its activities.

(c) The provisions of this Law applicable to capital companies shall apply to limited partners in limited partnerships.

**Article 37: Taxation of Partners**

(a) In determining the tax base of a partner, the income, expenses, losses, or credits derived or accrued by the personal company retain their character as to geographic source and type of income, gain, deduction, loss, or credit.

(b) A partner's share of personal company income, loss, deduction, or credit is taken into account for the partner's taxable year in which the personal company's taxable year ends. A loss in excess of the partner's cost base is suspended until the partner acquires sufficient cost base to offset the loss or until the partner's interest is terminated.

(c) Personal company losses and deductions allocated to a partner in accordance with paragraph {b} of this Law are not subject to the related party loss disallowance rule of Article 63{d} of this Law. A personal company's loss that is suspended under Article 63 {d} is not allocable to the partners until the conditions of Article 63 {d} are met. If a loss is incurred on a distribution in complete termination of a partner's interest, the conditions of Article 63 {d} are considered met.

#### **Article 38: Cost Base of Partner's Interest**

(a) The cost base of a partner's interest in a personal company is the amount the partner pays for the interest plus the cost base of property contributed by the partner.

(b) The cost base is increased by the partner's share of personal company income (including exempt income) included in the partner's gross income.

(c) The cost base is decreased (but not below zero) by distributions by the personal company to the partner and by the partner's share of partnership losses, deductions and nondeductible expenditures of the partnership (other than capital items).

(d) Debt incurred by the personal company, including debt to which the property of the personal company is subject, increases each partner's cost base in accordance with the partner's interest in the personal company. Debt born by certain partners who have personal liability for it will cause the increase of the cost base of these partners only.

#### **Article 39: Cost Base of a Personal Company's Assets**

(a) A personal company will have a starting cost base in contributed property equal to the cost base of the contributing partner.

(b) If a partner is retiring from membership in a personal company and receives a distribution that causes the retiring partner to recognize gain on the disposal of the partner's interest in the personal company, the cost base of the personal company's gain assets is increased (but not above fair market value) by the amount of disposal gain recognized. Cost base adjustments are allocated among assets according to the proportionate difference between cost base and fair market value.

(c) If a partner is retiring from membership in a personal company and receives a distribution that causes the retiring partner to recognize loss on the disposal of the partner's interest in the personal company, the cost base of the personal company's loss assets is reduced (but not below zero) by the amount of disposal loss recognized. Cost base adjustments are allocated among assets according to the proportionate difference between cost base and fair market value.

(d) For purposes of paragraphs (b) and (c) of this Article, a gain asset is one that has a cost base lower than its fair market value and a loss asset is one that has a cost base higher than its fair market value.

#### **Article 40: Transfer of Property to a Personal Company**

(a) No gain or loss calculation for a transfer to a personal company by a partner of an asset owned by the partner in return for an interest in the company.

(b) The partner is deemed to take an interest in the personal company equal to the difference between the fair market value of the property contributed by him to the company and the amount paid to him by the company . If a personal company pays to the partner more than the fair market value for the property transferred by the partner, the partner is deemed to have received from the company a distribution of profit equal to the excess amount.

#### **Article 41: Transfer of Property to a Partner by a Personal Company**

(a) A personal company's transfer of a non-cash asset to a partner, including a transfer in termination of the partner's interest, is treated as a disposal of the asset by the personal company, with gain or loss recognition on the transfer date.

(b) The partner takes a cost base in the asset equal to the fair market value of the asset.

(c) The partner is deemed to have received a distribution of income from the personal company if he does not pay fair market value for property transferred by the personal company. If the amount of deemed distribution exceeds the partner's cost base in the partner's personal company interest, the partner is treated as having disposed of part (or all) of the partner's personal company interest. If a distribution is in complete termination of a partner's interest, and the amount of the distribution is less than the partner's cost base, the excess cost base is deductible as a loss from disposal of the partner's interest.

#### **Article 42: Change in Membership of a Personal Company**

(a) If the departure or the entry of a partner or partners causes a reconstitution of a personal company, all the personal company's assets are deemed to be transferred to a new personal company in return for shares.

(b) A reconstitution occurs when the entry or departure of a partner or partners causes more than a 50 percent change in the membership of the personal company as constituted for the year preceding the entry or departure.

#### **Article 43: General Provisions**

(a) In the case of a company limited by shares, the shares of the general partners are taxed to them in the same manner as for a personal company, and the general partners' shares are deducted in determining the tax base of the company. The provisions of this Law applicable to personal companies shall apply to general partners in companies limited by shares.

(b) Where there has been a change of 50 percent or more in the underlying ownership or control of a capital company, no deduction for non-Saudi share is allowed under Article 21 of this Law in taxable years following the change.

### **Chapter 10**

#### **Natural Gas Investment Tax**

##### **Article 44:**

A natural gas investment tax shall be imposed on every natural or legal person, hereinafter referred to as the "taxpayer", engaged in natural gas, natural gas liquids, and gas condensates investment activities within the Kingdom of Saudi Arabia, its dedicated economic area or its continental shelf.

##### **Article 45:**

(a) The natural gas investment activities shall mean the exploration, production, collection, treatment, transportation, processing, and fractionation of natural gas, natural gas liquids, and gas condensates.

(b) Transportation shall mean transporting natural gas from treatment plants to processing and fractionation plants or from any such plants to end user facilities, as well as, transporting condensates.

(c) Gas condensates that naturally exist are defined as "those hydrocarbons that exist in a single gaseous phase in reservoirs, whose original temperature falls in the range from the critical temperature to the cricondentherm and which are produced from wells completed in gas condensate reservoirs and become liquid at standard conditions of temperature and pressure."

**Article 46:**

The natural gas investment activities income is the gross income derived from the sale, exchange or transfer of natural gas, natural gas liquids, gas condensates, and other products including sulfur, as well as any other non- operational or incidental income derived within the taxpayer's primary activity, regardless of its type or source, including income derived from the utilization of available excess capacity in any facility that is subject to the natural gas investment tax.

**Article 47:**

The natural gas investment tax basis is the gross revenues mentioned in Article 46 of this Law, less the expenses deductible under this Law. The amount of royalties and surface rentals shall be considered as deductible expenses.

**Article 48:**

The natural gas investment tax rate for any taxable year shall be determined on the basis of the internal rate of return on the cumulative annual cash flows of the taxpayer derived from natural gas investment activities. Cumulative annual cash flows shall mean the aggregation of the annual cash flows of the taxpayer subject to the natural gas investment tax for each year starting from the tax return of the first year of the taxpayer for which he is subject to the natural gas investment tax to the year that precedes the year in which the tax return is due for presentation.

The internal rate of return is that discount rate that causes the net present value of these cumulative annual cash flows, discounted to the start of the year of the first such cash flow, to be zero, and then rounded to the nearest tenth of a percent.

**Article 49:**

The annual cash flows shall be calculated by adjusting the natural gas investment tax basis as follows:

- (a) Adding back any operational losses carried from previous years in accordance with the Ministerial Council's Decision number (3) dated 3/1/1421 (10 April 2000).
- (b) Adding back non-cash items deducted for the purpose of determining the taxpayer's natural gas investment tax basis.
- (c) Adding back all financing fees and any other bank service fees.
- (d) Subtracting capitalized cash expenditures except financing fees and any other bank service fees.
- (e) Subtracting the natural gas investment tax and the corporate income tax actually paid.

**Article 50:**

(a) Income tax stipulated under Article 7(b) of this Law shall be applied to natural gas investment tax base of a taxpayer subject to natural gas investment tax.

(b) The tax amount paid by a taxpayer on natural gas investment tax base in accordance with paragraph (a) of this Article shall be credited against the natural gas investment tax payable by the taxpayer.

**Article 51:**

(a) For the purpose of determining the natural gas investment tax, the taxpayer's natural gas investment tax basis for each gas exploration and production contract or agreement with the Government shall be deemed independent of the natural gas investment tax basis or any other gas exploration and production contract or agreement and such taxpayer shall file separate tax returns and audited final accounts for the activities under each gas exploration and production contract or agreement.

(b) A taxpayer's natural gas investment tax basis shall be independent of the tax basis for its other activities that are not related to its natural gas investment activity, and such taxpayer shall file tax returns and audited final accounts for its natural gas investment tax activity separate from its other activities.

**Article 52:**

A taxpayer is subject to income tax stipulated under Article 7(b) of this Law on the following:

- (a) Income from the processing and fractionation of natural gas in a permitted independent plant.
- (b) Income derived from the transportation of natural gas for third parties through a permitted independent pipeline.

**Article 53:**

The provisions of this Chapter shall not apply to any company engaged in the production of petroleum, or the production of both petroleum and natural gas, with respect to such company's activities within its respective area of operations or concession area, as that is delineated on the effective date of this Law.

**Article 54:**

The provision of Article 7 (c) of this Law shall not apply to the gas investment tax basis for any taxpayer who is subject to the gas investment tax.

**Article 55:**

Where no provision is stated in this Chapter, the provisions of Articles of other Chapters of this Law shall apply.

**Chapter 11****GENERAL PROVISIONS****Article 56: Administration of Tax**

The Department is responsible for the administration, examination, assessment, and collection of income tax.

**Article 57: Registration**

- (a) Every person subject to tax in accordance with this Law must register with the Department before the end of its first fiscal year.
- (b) The provisions of this Article do not apply to taxpayers who are subject only to final withholding provisions under Article 68 of this Law.
- (c) Failure to register is subject to a penalty ranging from 1000 to 10.000 Saudi riyals. The By-law specifies the controls and exact amount of penalty on different types of taxpayers.

**Article 58: Accounts and Records**

- (a) A taxpayer, other than a non resident with no permanent establishment in the Kingdom, must maintain in Arabic commercial books and accounting records as may be necessary for the accurate determination of the tax payable by the taxpayer.
- (b) The Department has the right not to allow a deduction if the taxpayer is unable without reasonable excuse to produce a receipt or other record of the transaction, or to produce evidence relating to the circumstances giving rise to the claim for the deduction.

**Article 59: Secrecy of Information**

- (a) The Department and all its staff must keep secrecy of information concerning taxpayers which they have received in an official capacity, and may disclose the information only to the following persons:
  - (1) to employees of the Department in the course, and for the purpose, of carrying out their duties under tax law;
  - (2) to employees of the Customs Department, for the purpose of enforcing the customs laws;
  - (3) to the General Audit Bureau, for the purpose of auditing and reviewing the Department's operation

as authorized.

(4) to the tax authorities of a foreign country in accordance with an international treaty in which the Kingdom is a party;

(5) to law enforcement agencies, for the purpose of the prosecution of a criminal tax offense;

(6) to any judicial agency in the Kingdom, upon its order in a proceeding to establish a taxpayer's tax liability, in another administrative proceeding, or in a criminal proceeding.

(b) A person receiving information under paragraph (a) of this Article is required to maintain secrecy except to the minimum extent necessary to achieve the object for which disclosure is permitted.

(c) Information concerning a taxpayer may be disclosed to another person with the taxpayer's written consent.

## **Chapter 12**

### **Declarations, Assessments, Objections And Appeals**

#### **Article 60: Declarations**

(a) Every taxpayer who is required to file a declaration shall file a declaration in the prescribed form, using the prescribed Taxpayer Identification Number, and pay the amount shown thereon to the Department.

(b) The tax declaration must be filed and the tax paid on or before the 120th day following the end of the taxable year for which the declaration was made.

(c) The following taxpayers are required to file a tax declaration:

(c) The following taxpayers are required to file a tax declaration:

(1) a resident capital company.

(1) a resident capital company.

(2) a nonresident with a permanent establishment in the Kingdom.

(2) a nonresident with a permanent establishment in the Kingdom.

(3) a resident non-Saudi natural person who does business.

(d) A taxpayer who ceases business activity is required to notify the Department within 60 days of the date on which activity was ceased. The taxpayer is also required to present, within this 60- day period, a tax declaration for the short taxable year ending with the date of cessation.

(e) In the case of a taxpayer whose income subject to tax exceeds one million Saudi riyals, the declaration must be certified as correct by a chartered accountant who is licensed to practice in the Kingdom.

(f) An information declaration required to be filed by a personal company under article (36) of this Law must be filed on or before the 60th day following the end of the personal company's taxable year.

#### **Article 61: Department's Right to Information**

(a) All persons and government agencies are required to provide the Department with any information related to tax if requested by the Department for purposes of taxation according to this Law.

(b) The Department has the right to examine any taxpayer's books and records during working hours for purposes of ascertaining the correctness of the taxpayer's tax liability.

(c) All persons and government agencies are required to provide the Department with information on any contracts they might conclude with private sector entities within 3 months of the date of conclusion of the contract. The information shall include names and addresses of the two parties, subject of contract, financial terms and starting and completion dates. A person who fails to make the report required by this paragraph, or who fails to inform the Department of the date of cessation of work under the contract, is jointly liable for any tax due on the contract. The By-law specifies controls and procedures to implement this obligation.

#### **Article 62: Examination and assessment procedures**

a) The Department has the right to correct and adjust the tax shown on the declaration to conform to the provisions of this Law, or to assess tax where no return has been filed.

(b) The Department must notify the taxpayer of tax assessment under paragraph (a) of this Article and tax due by registered letter or by other means that provide for a receipt by the taxpayer of the notice.

(c) Subject to Article 65 of this Law, if it has become clear to the Department that the tax it accepted before is incorrect, the Department has the right to make an additional assessment. The taxpayer shall be notified of the additional assessment and the reasons for it, and shall have the right to object as stipulated in the rules for objection.

#### **Article 63: Measures Against Tax Avoidance**

(a) For the purposes of determining tax liability, the Department has the right:

(1) to disregard a transaction that has no tax effect; or

(2) to reclassify according to its reality a transaction whose form does not reflect its substance.

(b) If a taxpayer fails to make a timely filing of his declaration, or keeps inaccurate accounts and records, or does not keep accounts and records in the required form and manner, the Department has the right to make an assessment of tax payable based upon an estimate according to the relevant facts and circumstances.

(c) In any transaction between related parties or parties under common control, the Department may allocate income or deductions between these parties as is necessary to reflect the income that would have resulted from a transaction between independent persons.

(d) A taxpayer is not permitted to deduct a loss on a transaction involving the transfer of property between the taxpayer and a related party. Unless otherwise provided, the loss deduction is suspended until the related party disposes of the property to an unrelated party.

(e) Where an individual taxpayer splits income with another person, the Department may adjust the tax base of the taxpayer and the other person to prevent any reduction in tax payable as a result of income splitting.

(f) In this Article, income splitting means:

(1) the transfer of income, directly or indirectly, from one person to an associate; or

(2) the transfer of property (including money), directly or indirectly, from one person to an associate with the result that the associate realizes income from that property, where the reason or one of the reasons for the transfer is to lower the total tax payable upon the income of the transferor or the transferee.

(g) In determining whether the taxpayer is seeking to split income, the Department may consider the value given by the transferee.

#### **Article 64: Related Persons and Persons Under Common Control**

(a) A natural person is considered related to any other natural person who is a spouse or a brother-in-law, or a relative to the fourth degree.

(b) A natural person and a company are considered related persons in the following circumstances:

(1) The personal company is one in which the natural person is a partner who, either alone or together with a related person or persons under this Article, controls 50 percent or more of the rights to income or capital of the personal company either directly or indirectly through one or more subsidiaries of any type of companies

(2) The capital company is one in which the natural person, either alone or together with a related person or persons under this Article, controls 50 percent or more of the voting power or value in the company, either directly or indirectly through one or more subsidiaries of any type of companies

(3) The trust that manages monies consecrated for certain purposes is one under which the natural person, either alone or together with a related person or persons under this Article, benefits or is capable of benefiting.

(c) Companies and trusts are considered to be under common control if they are controlled 50 percent or more by the same person or related persons under this Article as follows:

(1) With respect to personal companies, control is the ownership of rights to income or capital of the personal company, either directly or indirectly through one or more subsidiaries of any type of companies.

(2) With respect to capital companies, control is the ownership of voting power or value in the

company, either directly or indirectly through one or more subsidiaries of any type of companies.

(3) With respect to trusts, that manage monies consecrated for certain purposes, control is the possession of a beneficial interest in the income or assets of the trust.

#### **Article 65: Period of Limitations**

(a) The Department may, with a notice of justifications, make or amend an assessment within five years of the end of the filing period for the taxable year, or at any time with the written consent of the taxpayer.

(b) The Department may make or amend an assessment within ten years of the end of the filing period for the taxable year if a required tax declaration was not filed or if the tax declaration is found to be incomplete or incorrect with the intent to evade tax.

(c) A taxpayer may request a refund of tax on the basis that the taxpayer made an overpayment, at any time within five years of the end of the taxable year.

#### **Article 66: Objections and Appeals**

(a) The taxpayer has the right to object to an assessment within 60 days of receipt of the assessment letter. The assessment will be final and the tax becomes payable if the taxpayer agrees to the assessment or does not object to it within the prescribed period.

(b) An objection is not considered valid unless the taxpayer has paid the undisputed elements of the tax assessment within the period for making the objection, or has obtained an approval under Article 71 of this Law to pay the tax in installments.

(c) The tax becomes payable after the issuance of the resolution by the First Instance Committee. The tax is final if not appealed within 60 days of receipt of the mentioned resolution by either the taxpayer or the Department

(d) Both the Department and the taxpayer have the right to appeal the First Instance Committee resolution to the Higher Appeal Committee within 60 days of receipt of the resolution.

(e) The taxpayer who wants to appeal the First Instance Committee resolution should appeal within the prescribed period after payment of tax according to the resolution or after submittal of an accepted bank guarantee of the amount.

(f) The Higher Appeal Committee resolution becomes final and binding unless it is appealed to the Bureau of Grievances within 60 days of notice of the resolution.

#### **Article 67: Formation and Responsibilities of Objection and Appeal Committees**

(a) The Minister issues resolutions to form the First Instance Committees for settlement of tax disputes.

(b) The Council of Ministers issues a resolution, based on recommendations by the Minister, to form a Higher Appeal Committee (HAC) to look into objections by taxpayers or the Department to resolutions issued by 1st Instance Committees.

(c) The By-law specifies authorities, responsibilities and work procedures for First Instance Committees and Higher Appeal Committee as well as members' qualifications, experience and remuneration.

### **Chapter 13**

#### **Collection Of Tax**

#### **Article 68: Withholding Tax**

(a) Any resident, whether or not that person is a taxpayer under this Law, any permanent establishment of a non-resident in the Kingdom, and any natural person who makes a payment to a non-resident from a source in the Kingdom shall withhold tax from such payment according to the following rates:

(1) Rent 5%

- (2) Royalty 15%
- (3) management fee 20%
- (4) Payments for air tickets, air freight and maritime freight 5%
- (5) Payments for international telecommunications services 5%
- (6) Any other payments specified in the By-Law Not to exceed 15%

In the case of payments made by a natural person, the withholding requirement under this Article applies to the payments made in the course of the person's business activity.

(b) A person withholding tax under this Article shall

(1) register with and pay to the Department the amount withheld during the first 10 days of the month following the month of payment to the recipient.

(2) provide the recipient with a certificate, stating the amount of the payment and the amount of tax withheld;

(3) at the end of the tax year, provide to the Department the name, address, and where appropriate the recipient's registration number(unique number), if available, along with any additional information the Department may require; and

(4) Maintain the records that are required to ascertain the correctness of withheld tax as required by the By-Law.

(c) A person required to withhold tax under this Article is personally liable for the amount of tax outstanding and any delay penalties in accordance with Article 77 (a) of this Law if he

(1) fails to withhold tax as required, or

(2) having withheld tax, fails to pay the tax to the Department as required,

(3) fails to report such withholding under subparagraph b(3) of this Article.

(d) Notwithstanding paragraph (b) of this Article, if tax is not withheld as required by this Article, the recipient remains liable to the Department for the tax and the Department may recover the tax from him, his agent or sponsor.

(e) Subject to paragraphs (f) and (g) of this Article, where a payment is made to a non -resident and tax is withheld under this article, that tax is a final tax and no further tax liability shall be imposed in respect of the income to which the tax relates; and no refund of tax shall be made in respect of the payment.

(f) Where a payment to which this Article refers is made to a non- resident which carries on business in the Kingdom through a permanent establishment, and that payment is directly connected with such business, that payment shall be taxed as part of the tax base of the non- resident.

(g) If tax is withheld from a payment that is included in the tax base of a taxpayer, the tax withheld shall be credited against the taxpayer's liability in respect of the tax base.

(h) For purposes of this Article and Article 5 of this Law, services means anything done for consideration other than purchase or sale of goods or other property.

#### **Article 69: Tax Payment**

A taxpayer must pay his due tax in accordance with the declaration (return) within 120 days of the end of his tax year.

#### **Article 70: Advance Payments of Tax**

(a) Subject to paragraphs [b] and [c] of this Article, a taxpayer who derives income in tax year is liable to make three advance payments of tax on the last day of the sixth, ninth and twelfth months of the tax year, the amount of each payment being:

$25\% \times [A - B]$  where :

A is equal to the taxpayer's tax for the preceding year in accordance with the taxpayer's return; and

B is equal to the amount of such tax as was paid in the preceding year by withholding at source under Article 68 of this Law.

(b) A taxpayer is not liable to make advance payments under paragraph [a] of this Article if the amount of each payment, calculated in accordance with paragraph [a] above, would be less than 500.000 Saudi riyals.

(c) The Department may reduce the amount of any advance payments payable under this Article if it is satisfied that the taxpayer's income for the tax year, other than income in respect of which tax is withheld at source under article 68 of this Law, will be substantially less than the amount of income for

the preceding tax year.

(d) An advance payment of tax paid pursuant to this Article is credited against the total tax assessed to the taxpayer for the tax year to which the payment relates.

(e) The provisions of this Law relating to collection and recovery of income tax apply to the collection and recovery of any advance payment of tax.

#### **Article 71: Payment of Tax in Installments**

(a) The Minister may, based on justified grounds, allow payment of amounts payable by a taxpayer in installments according to controls and terms specified in the By-law. The Minister may delegate this authority or part of it to the Director General of the Department. The Minister or his delegate may revoke an installment arrangement if it is found that the arrangement will injure the public treasury.

(b) The allowance of payment of tax in installments under this Article does not suspend the taxpayer's liability to pay the penalty for delay pursuant to

#### **Article 77 (a) of this Law for the period of installments.**

#### **Article 72: Refund of Overpayment**

In the case of an overpayment of tax, the taxpayer is entitled to a refund of the excess amount together with compensation at the rate of 1 percent for each 30 days, beginning 30 days after the date the refund was requested and continuing until the refund is paid to the taxpayer.

#### **Article 73: Levy on the Taxpayer's Property**

(a) If the taxpayer fails to pay a tax due by the date prescribed by the Law, the Department has the right to levy on the taxpayer's movable and immovable property as allowed by Shariah (Jurisprudence). The Department may proceed to a levy after 20 days of a receipt by the taxpayer of the Department's notice of its intention to levy.

(b) A person (including banks or other financial institutions) in possession of a property on which a levy has been made must surrender the property to the Department when it so demands.

(c) A bank or a financial institution must refrain from allowing withdrawals or other payments from the taxpayer's bank account after receiving notice of intention to levy against that account.

(d) A person who fails to comply with a demand under paragraph (b) or (c) of this Article is liable to the Department in the amount of the value of the property in its possession, but not in excess of the amount for the collection of which the levy is made.

(e) Tools used in the taxpayer's trade, as well as the taxpayer's personal effects and furnishings, are exempt from levy, up to a value of 300,000 Saudi riyal.

#### **Article 74: Sale of seized property**

(a) The Department, through the competent authority, shall sell property seized pursuant to a levy.

(b) The sales proceeds are applied first against the expenses of the levy and sale, then against the liability for tax and penalties. Any excess is returned to the taxpayer.

(c) Pending the administrative or judicial review of the assessment on the basis of which a levy has been made, sale of the taxpayer's property is suspended, except for

(1) property which is subject to spoilage; and

(2) property which the taxpayer directs the Department to sell.

#### **Article 75: Levy on Amounts Due to the Taxpayer**

(a) Pursuant to a levy, the Department has the right to issue a notice to third parties (including an employer, banks or financial institutions) ordering direct payment to the Department of any amount that the third party owes the taxpayer on or after the date of receipt of the notice of levy.

(b) A notice may be issued on the taxpayer's employer. Such a notice may be specified as valid for a specified period.

(c) The taxpayer's living expenses and the monthly payment for living expenses of dependents as stipulated by provisions of other effective Laws are not subject to seizure.

(d) A person complying with the requirements of this Article or Articles 73 and 74 of this Law is, from the

time of compliance, discharged from any obligation to the taxpayer or any other person to the extent of the value of property under levy.

## **Chapter 14**

### **Penalties**

#### **Article 76: Penalty for failure to file**

(a) In the case of failure to comply with Article 60 (a), (b), (d) and (e) of this Law, there shall be a penalty imposed on the taxpayer equal to 1 percent of his gross receipts and not to exceed 20.000 Saudi riyal.

(b) In the case of failure to file the declaration within the prescribed time, a penalty is imposed in lieu of the penalty stipulated under paragraph (a) of this article whenever the penalty under paragraph (a) is less than the penalty under this paragraph and will be as follows:

(1) 5% of the underpayment of tax if the delay is for up to 30 days after the due date;

(2) 10% of the underpayment of tax if the delay is more than 30 and no more than 90 days after the due date;

(3) 20% of the underpayment of tax if the delay is more than 90 and no more than 365 days after the due date;

(4) 25% of the underpayment of tax if the delay is more than 365 days after the due date.

(c) The underpayment of tax is the difference between the amount of tax determined to be due under this Law and the amount of tax that has been paid on or before the due date as prescribed in Article 60 (b) of this Law.

#### **Article 77: Penalties for delay and for fraud**

(a) In addition to the penalties stipulated in Article 76 and in paragraph (b) of this Article, the taxpayer will be required to pay a penalty for delay of 1 percent for each 30 days of the delay on unpaid tax, including delay in paying over tax required to be withheld, and advance installments of tax, measured from the due date of the tax until the time the tax is paid.

(b) In addition to the penalties stipulated in Article 76 and in paragraph (a) of this Article, a penalty is imposed in the amount of 25% of the difference in tax resulting from misrepresentation or fraud committed by the taxpayer or its chartered accountant with the intention to evade taxes, and in particular for the following offences:

(1) submitting books, records, accounts or documents that are not true and do not reflect the true status of the taxpayer;

(2) filing a return on a basis that the taxpayer has no books and records and including information that contradicts what the taxpayer's books and records show;

(3) filing artificial or fake invoices or other documents or changing invoices (sale or purchase) or other documents with the intention to understate profits or overstate losses;

(4) failing to report an activity or activities that are taxable;

(5) damaging or hiding of books, records or documents before the Department examines them.

#### **Article 78: Obligations of the Accounting Profession**

Subject to the Kingdom's Chartered Accountants Code, the Department has the right to judicially pursue any chartered accountant who is proven to have certified or presented statements that are not true or in violation of recognized accounting principles with the intention to help the taxpayer evade all or part of his tax.

## **Chapter 15**

### **Article 79: Authority of the Minister**

The Minister has the following authorities:

(a) Issuance of By-laws of this Law.

(b) Issuing instructions and taking measures necessary to put this Law into effect.

- (c) Changing depreciation groups and rates of Article (17) of this Law.
- (d) Writing off amounts of taxes and penalties that have been determined to be un-collectable. The By-law specifies cases that are not collectable.
- (e) Giving awards based on recommendations by the Department's Director General to employees for outstanding performance. The By-law specifies conditions and controls for such awards.

## **Chapter 16**

### **Concluding Provisions**

#### **Article 80: Effective Date**

- (1) This Law will be published in the official gazette and be effective after 90 days of the date of publication.
- (2) This Law applies to tax years beginning after the effective date of this Law. Tax years starting on or before the effective date of this Law will be subject to the provisions of tax laws in effect prior to this Law.
- (3) This Law repeals the Income Tax Regulations issued under Royal Decree no. 3321, dated 21/ 1/1370 H [2 November 1950]. and amendments, and the Additional Income Tax on Companies engaged in production of oil and hydrocarbons issued under Royal Decree no. 7634, dated 16/ 3/ 1370 H and amendments, and the Natural Gas Investment Tax Law issued under Royal Decree no. M/37, dated 25th Jumada II, 1424 (23rd August 2003).
- (4) Withholding provisions of Article 68 of this Law will be effective as of the effective date of this Law.

#### **Article 81: Transitional provisions**

- (1) In the case of an asset that was acquired by a taxpayer in a taxable year prior to the entry into force of this Law, the amount to be included in the appropriate group is the cost of the asset, less any depreciation deduction previously claimed in respect of the asset.
- (2) Operational losses incurred before the entry into force of Council of Ministers' resolution number 3, dated 5/01/1421 H. can not be carried over.
- (3) Operational losses incurred during a tax holiday can not be carried over.