



شعبة الترجمة الرسمية
Official Translation Department

Income Tax Law

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Translation of Saudi Laws

NOTE:

The translation of Saudi laws takes the following into consideration:

- Words used in the singular form include the plural and vice versa.
- Words used in the masculine form include the feminine.
- Words used in the present tense include the present as well as the future.
- The word “person” or “persons” and their related pronouns (he, his, him, they, their, them) refer to a natural and legal person.

Income Tax Law

Chapter 1: Definitions

Article 1

In this Law, the following terms shall have the meanings assigned thereto, unless the context requires otherwise:

Minister: Minister of Finance

Department: Department of Zakat and Income.

Tax: Income tax imposed in accordance with this Law.

Person: Any natural or corporate person.

Taxpayer: Any person subject to tax in accordance with this Law.

Activity: Any form of commercial activity, or any vocational, professional, or any other similar activity for profit. This includes the use of movable and immovable property.

Royalties: Payments received for the use of or the right to use intellectual rights, including, but not limited to, copyrights, patents, designs, industrial secrets, trademarks and trade names, know-how, trade and business secrets, goodwill, and payments received against the use of information related to industrial, commercial, or scientific expertise, or against granting the right to exploit natural and mineral resources.

Kingdom: The lands and territorial waters of the Kingdom of Saudi Arabia, its air space, and its rights in the zone divided between it and the State of Kuwait. This 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 joint stock company, limited liability company, or a company limited by shares. For the purposes of this Law, investment funds shall be considered capital companies.

Partnership: A general partnership, a silent partnership, or a limited partnership.

Resident: A natural person, a company that satisfies the residency conditions stipulated in Article 3 of this Law, any governmental department, ministry, or public entity, or any other corporate person or entity formed in the Kingdom.

Nonresident: Any person who does not satisfy the requirements of the status of resident.

Saudi citizen: A person holding the Saudi nationality or who is treated as such.

Commercial books: The set of commercial books kept by taxpayers in which all commercial transactions are recorded as described by Royal Decree No. (M/61) dated 17/12/1409H and its Implementing Regulations issued by

Ministerial Decision No. (699) dated 29/7/1410H, amended by Ministerial Decision No. (1110) dated 24/12/1410H, and any subsequent amendments thereof.

Regulations: Implementing Regulations of this Law.

Any word or phrase with no specific definition in this Chapter shall have the same definition it has in other Laws applicable in the Kingdom provided that such definition is not inconsistent with the provisions of this Law.

Natural Gas Investment: Activities of the exploration and production of non-associated natural gas, including gas condensates, as well as the activities of collection, purification, treatment, fractionation, and transportation of associated and non-associated natural gas, and their liquids, gas condensates, and other accompanying elements.

Natural Gas Transportation: The transfer of associated and non-associated natural gas from purification plants to treatment plants and fractionation plants, or from such plants to end user facilities, as well as the transfer of gas condensates and its liquids. This shall not include local distribution networks and pipelines constructed by non-gas producers beyond the official sale points.

Chapter 2: Taxpayers

Article 2: Persons Subject to Taxation

- A. A resident capital company with respect to the shares of non-Saudi partners.
- B. A natural person who is a resident non-Saudi conducting business in the Kingdom.
- C. A nonresident who conducts business in the Kingdom through a permanent establishment.
- D. A nonresident with other taxable income from sources within the Kingdom.
- E. A person engaged in the field of natural gas investment.
- F. A person engaged in the production of oil and hydrocarbons.

Article 3: Concept of Residency

- A. A natural person shall be considered a resident in the Kingdom for a taxable year if he meets any of the two following conditions:
 - 1. He has a permanent place of residence in the Kingdom and resides in the Kingdom for a total period of not less than 30 days in the taxable year.
 - 2. He resides in the Kingdom for a period of not less than 183 days in the taxable year.

For the purposes of this paragraph, residence in the Kingdom for part of a day shall be considered residence for a whole day, except in case of a person in transit between two points outside the Kingdom.

B. A company shall be considered a resident in the Kingdom during the taxable year if it meets any of the following conditions:

1. It is formed in accordance with the Companies Law.
2. Its central management is located in the Kingdom.

Article 4: Permanent Establishment

A. A permanent establishment of a nonresident in the Kingdom, unless otherwise stated in this Article, shall consist of a permanent place in which the nonresident practices his business activity, in full or in part, including any business carried out through an agent.

B. The following shall be considered permanent establishments:

1. Construction sites, assembly facilities, and the exercise of supervisory activities connected therewith.
2. Installations, sites used for surveying natural resources, drilling equipment, ships used for surveying natural resources, and the exercise of supervisory activities connected therewith.
3. A fixed base from which a nonresident natural person carries out business.
4. The branch of a nonresident company licensed to carry out business in the Kingdom.

C. A place shall not be considered the permanent establishment of a nonresident in the Kingdom if used in the Kingdom only for the following purposes:

1. Storing, displaying, or delivering goods or products belonging to the nonresident.
2. Keeping a stock of goods or products belonging to the nonresident for the purpose of treatment by another person.
3. Purchasing goods or products for the sole purpose of collecting information for the nonresident.
4. Carrying out other activities of a preparatory or auxiliary nature to the benefit of the nonresident.
5. Drafting contracts for signature in connection with loans, delivery of goods or technical services.
6. Performing any group of the activities stated in subparagraphs (1) to (5) of this paragraph.

D. A nonresident partner in a resident partnership shall be considered an owner of a permanent establishment in the Kingdom, as a shareholder in the partnership.

Article 5: Source of Income

A. Income shall be considered accrued in the Kingdom in any of the following

cases:

1. If it is derived from an activity which occurs in the Kingdom.
 2. If it is derived from immovable property located in the Kingdom, including gains from the disposal of a share in such immovable properties and from the disposal of shares, stocks, or partnership in a company the property of which consists mainly, directly or indirectly, of shares in immovable properties in the Kingdom.
 3. If it is derived from the disposal of shares or a partnership in a resident company.
 4. If it is derived from lease of movable properties used in the Kingdom.
 5. If it is derived from the sale or license for use of industrial or intellectual properties in the Kingdom.
 6. Dividends or management or directors' fees paid by a resident company.
 7. Amounts paid against services rendered by a resident company to the company's head office or to an affiliate thereof.
 8. Amounts paid by a resident against services performed in whole or in part in the Kingdom.
 9. Amounts for the exploitation of a natural resource in the Kingdom.
 10. If the income is attributable to a permanent establishment of a nonresident located in the Kingdom, including income from sales in the Kingdom of goods of the same or similar kind as those sold through such a permanent establishment, and income from rendering services or carrying out another activity in the Kingdom of the same or similar nature as an activity performed by a nonresident through a permanent establishment.
- B. The income's place of payment shall not be taken into account in determining its source.
- C. For the purposes of this Article, a payment made by a permanent establishment of a nonresident in the Kingdom shall be considered as if paid by a resident company.

Chapter 3: Tax Base and Tax Rates

Article 6

- A. The tax base of a resident capital company shall be the shares of non-Saudi partners in its taxable income from any activity from sources within the Kingdom after deducting expenses permitted under this Law.
- B. The tax base of a resident non-Saudi natural person shall be his taxable income from any activity from sources within the Kingdom after deducting expenses permitted under this Law.

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- C. The tax base of a nonresident who performs an activity in the Kingdom through a permanent establishment shall be his taxable income arising from or related to the activity of such establishment after deducting expenses permitted under this Law.
 - D. The tax base of each natural person shall be determined separately.
 - E. The tax base of a capital company shall be determined separately of its shareholders or partners.
 - F. The tax base of a person engaged in the production of oil and hydrocarbons shall be his taxable income after deducting expenses permitted under this Law; this shall not include the tax base relating to his investment in natural gas.
 - G. The tax base of a person engaged in natural gas investment shall be his taxable income in such investment after deducting expenses permitted under this Law. This tax base shall be separate from the tax base relating to his other activities.

Article 7

- A. The tax rate of the tax base shall be 20% for each of the following:
 - 1. A resident capital company.
 - 2. A non-Saudi resident natural person who conducts business.
 - 3. A nonresident person who conducts business in the Kingdom through a permanent establishment.
- B. The tax rate of the tax base for a taxpayer engaged only in natural gas investment activities shall be 20%.
- C. The tax rate of the tax base for a taxpayer engaged in the production of oil and hydrocarbons shall be 85%.
- D. Withholding tax rates are those specified under Article 68 of this Law.
- E. The tax of a person engaged in the production of oil and hydrocarbons in addition to investing in natural gas in the Kingdom shall be the sum of his taxes from both tax bases as per paragraphs (b) and (c) of this Article.

Chapter 4: Taxable Income

Article 8

- 1. Taxable Income is the gross income including all revenues, profits, and gains irrespective of their type and of the form of payment resulting from carrying out the activity, including capital gains and any incidental revenues, after deducting exempt income.
- 2. Income from natural gas investment is the sum of gross income derived from the sale, exchange, and conversion of natural gas, its liquids, and gas

condensates, including sulfur and other products, as well as any other incidental or non-operational income derived from the taxpayer's primary activity, regardless of its type or source, including income derived from the utilization of excess energy in a facility subject to natural gas investment.

Article 9: Gains or Losses Resulting from the Disposal of Assets

- A. The gain or loss resulting from the disposal of an asset is the difference between the compensation received for the asset and its cost base.
- B. No gain or loss on the disposal of a depreciable asset is taken into account other than what is stated in Article 17 of this Law.
- C. In determining taxable income, a natural person may not take into account the gain or loss on the disposal of an asset that is not for use in the activity.
- D. The cost base of an asset purchased, produced, manufactured, or constructed by a taxpayer itself is the amount paid or incurred by the taxpayer in cash or in kind in the process of acquiring the asset.
- E. Where a taxpayer disposes of part of an asset, the cost base of the asset is apportioned between the part retained and the part disposed of in accordance with their market value at the time the asset was purchased.
- F. Expenses incurred to alter or improve a non-depreciable asset are added to the cost base of the asset.
- G. The value of compensation for the disposal of an asset against in kind assets is based on the market value of those in kind assets, including exemption from the debt on the asset.
- H. Where a taxpayer disposes of an asset by way of gift or inheritance, the disposer is treated as having received compensation equal to the market value of the asset at the time of disposal, unless paragraph (i) of this Article is applicable.
- I. If the disposed of asset is encumbered by debt exceeding its market value, the taxpayer disposing of the asset is treated as having received compensation equal to the value of such debt.
- J. In determining the tax base, no gain or loss is taken into account on the involuntary disposal of an asset to the extent that the compensation value is used in purchasing an asset of the same kind within one year of the involuntary disposal.
- K. The cost base of the replacement asset described in paragraph (j) of this Article is determined with reference to the cost base of the replaced asset.
- L. Where an asset owned by a taxpayer is converted to personal use or otherwise ceases to be used in the generation of income, the taxpayer is deemed to have disposed of the asset for its market value, with the recognition of the resulting gain but not the loss.

Article 10: Tax-Exempt Income

The following types of income are exempt from income tax:

- a) Capital gains realized from the disposal of securities traded in the stock market in the Kingdom in accordance with restrictions specified in the Regulations.
- b) Gains resulting from the disposal of property other than assets used in the activity.

Article 11: Donations

In determining the tax base of each taxpayer, a deduction is allowed for donations paid during the taxable year to public agencies or non-profit philanthropic societies licensed in the Kingdom and permitted to receive donations.

Chapter 5: Expenses of Earning Income

Article 12: Expenses Related to Earning Income

All regular and necessary expenses of earning taxable income, paid or accrued, and incurred during the taxable year are deductible in determining the tax base, with the exception of outlays of a capital nature and other nondeductible expenses 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 taxable income.
- b) Any amounts paid or benefits offered to a shareholder, partner, or any of their relatives which constitute salaries, wages, awards, or the like, or those which do not satisfy the conditions for transactions among independent parties against properties or services.
- c) Recreation expenses.
- d) Expenses of a natural person for personal consumption.
- e) Income tax paid in the Kingdom or in another country.
- f) Fines and financial penalties paid or payable to any party in the Kingdom, excluding those paid for breach of contractual conditions and obligations.
- g) Any bribe or similar amounts which are considered a criminal offense under the laws of the Kingdom, even if paid abroad.

Article 14: Bad Debts

- A. A taxpayer may deduct bad debts arising from the sale of goods or services that have been previously declared as a taxable income of the taxpayer.
- B. A bad debt may be deducted when written off the taxpayer's books when there is suitable evidence proving the impossibility of collecting it, as specified in the Regulations.

Article 15: Reserves and Allocations

No reserves or allocations may be deducted except allocations of doubtful debts for banks. The Regulations shall determine the rules and restrictions specifying such allocations.

Article 16: Research and Development Expenses

Research and development expenses connected with the earning of taxable income may be deducted. Expenses for the purchase of land or equipment used for research purposes may not be deducted. Such equipment shall be subject to depreciation under Article 17 of this Law.

Article 17: Depreciation

- A. Except for land, depreciation may be deducted for a taxpayer's depreciable tangible or intangible assets which lose value because of wear and tear or obsolescence and which are used, in whole or in part, in the generation of taxable income, and remain to have value after the end of the taxable year.
- B. Depreciable assets are classified into groups and depreciation rates as follows:
 - 1. Stationary buildings: 5%.
 - 2. Movable industrial and agricultural buildings: 10%.
 - 3. Factories, machines, engines, hardware, software (computer software), and equipment, including passenger and cargo vehicles: 25%.
 - 4. Expenses for geological surveying, drilling, exploration, and other preliminary work to exploit natural resources and develop their fields: 20%.
 - 5. All other tangible and intangible depreciable assets not included in the previous categories, such as furniture, planes, ships, trains, and goodwill: 10%.
- C. The depreciation deduction for each group is determined in accordance with paragraphs (d) to (l) of this Article.
- D. The depreciation deduction for each group is calculated by applying its depreciation rate as determined in accordance with paragraph (b) of this Article against the balance of the value of such group at the end of the taxable year.
- E. The balance of the value of each group at the end of a taxable year is the

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- total of the balance of the value of the group at the end of the previous taxable year after the deduction of depreciation in accordance with this Article for the previous taxable year, and the addition of 50% of the cost base of assets in use during the current and previous taxable years after the deduction of 50% of the compensation received from the assets disposed of during the current and previous taxable years, provided that the balance does not become negative.
- F. If the taxpayer converts its assets to personal use or if the asset ceases to be used in the generation of taxable income, this action by the taxpayer shall be deemed to be a disposal of the asset for its market value.
 - G. When 50% of the compensation of the assets disposed of during the current and previous taxable years exceeds the balance of the value of the group at the end of the taxable year, regardless of the amount of such compensation, the value of the group shall be reduced to zero and the excess is included in the taxpayer's taxable income.
 - H. If the balance of the value of the group at the end of the year, after approving deductions in accordance with paragraph (d) of this Article, is less than 1,000 riyals, the amount of the balance may be deducted.
 - I. Where all the assets in a group are disposed of, the balance of the group may be deducted at the end of the year.
 - J. Where a land is bought or sold with constructions thereon, the value shall be reasonably apportioned to arrive at a separate value of the constructions.
 - K. In case part of the assets is used for the generation of taxable income, a depreciation deduction is allowed for part of the asset value against the part of the asset used in the generation of the taxable income.
 - L. As an exception to the provisions of the previous paragraphs, assets under Build-Operate-Transfer (BOT) or Build-Own-Operate-Transfer (BOOT) contracts may be depreciated over the contract period or over the remaining period of the contract, if such assets are acquired or renewed during that period.

Article 18: Expenses of Asset Repair and Improvement

- A. Expenses incurred by the taxpayer for the repair or improvement of depreciable assets in each group may be deducted.
- B. The amount of expenses deductible in accordance with paragraph (a) of this Article for each year shall not exceed 4% of the balance of the value of the group at the end of said year.
- C. The amount exceeding the limit stated in paragraph (b) of this Article shall be added to the balance of the value of the group.

Article 19: Expenses for Geological Surveying and Preliminary Work for the Extraction of Natural Resources

- A. Expenses for geological surveying and preliminary work for the extraction of

natural resources are deducted in the form of amortization expenses at the depreciation rate determined in Article 17(b) of this Law, where these expenses constitute an independent group.

- B. This Article also applies to expenses of intangible assets incurred by the taxpayer in the acquisition of rights to geological surveying and the treatment and exploitation of natural resources.

Article 20: Contributions to Authorized Retirement Funds

- A. An employer's contributions to an authorized retirement fund established in accordance with the laws of the Kingdom may be deducted in favor of the employee.
- B. The deduction allowed under paragraph (a) of this Article for each employee shall not exceed 25% of his income, prior to calculating the employer's contributions.
- C. The employee's contributions to an authorized retirement fund may not be deducted.

Article 21

- A. A net operating loss may be carried forward to the taxable year following the year in which the loss is incurred. The carried forward loss shall be deducted from the tax base of following taxable years until the cumulative loss is fully offset. The Regulations shall specify the maximum limits which may be deducted annually.
- B. A net operating loss is the deductions allowed under this Chapter which are in excess of the taxable income for the taxable year.
- C. To calculate the net operating loss for a natural person, only the activity's deductions and income shall be taken into consideration.
- D. For a taxpayer engaged in natural gas investment and the production of oil and hydrocarbons, net operating losses relating to the tax base of natural gas investment shall not be deducted from the tax base of the production of oil and hydrocarbons; likewise, net operating losses relating to the tax base of the production of oil and hydrocarbons shall not be deducted from the tax base of natural gas investment.

Chapter 6: Tax Accounting Rules

Article 22: Taxable year

- A. The taxable year shall be the State's fiscal year.
- B. A taxpayer may use a 12-month period other than the one specified in paragraph (a) of this Article as a taxable year, in accordance with the restrictions specified in the Regulations.

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- C. If a taxpayer changes its taxable year, the interval between the last full taxable year prior to the change and the starting date of the new taxable year shall be considered a short independent fiscal period. The first year of a new taxpayer or the last year of a taxpayer in case of discontinuation or liquidation may be a short independent fiscal year, unless the Companies Law stipulates for it to be a long fiscal year.
 - D. Groups of related companies, as defined in Article 64 of this Law, shall use the same taxable year.

Article 23: Accounting Method

- A. A taxpayer's accounting method must clearly reflect the taxpayer's income.
- B. The gross income and expenses of a resident company, and any other taxpayer who keeps or is required by Law to keep commercial books according to the accounting principles generally accepted in the Kingdom, shall be determined according to such books after adjusting the accounts so as to conform to the rules of this Law.
- C. For taxation purposes, a natural person may record his transactions on a cash or accrual basis. If his gross income from business during a taxable year exceeds the amount specified in the Regulations, he must use the accrual method in all succeeding taxable years.
- D. A company which keeps or is required by Law to keep commercial books must record income and expenses on an accrual basis. Otherwise, it may, for taxation purposes, use either the cash or accrual method.
- E. Except for a change from the cash basis to the accrual basis required in accordance with paragraphs (c) or (d) of this Article, a taxpayer may change its accounting method upon obtaining the Department's consent.
- F. If the taxpayer changes its accounting method, it must perform adjustments to items of income and deduction or to debt or any other items in the taxable year following the change, so that no item is omitted or included more than once.

Article 24: Cash-Basis Accounting

A taxpayer who uses the cash method in its books and records shall register the received income when received or made available for receipt, and the paid expenses when paid.

Article 25: Accrual-Basis Accounting

- A. A taxpayer who uses the accrual method shall record income and expenses when they are due.
- B. An amount becomes payable to the taxpayer when the taxpayer is entitled to receive it, even if payment is postponed or paid in installments.
- C. An amount becomes payable by the taxpayer when all facts determining liability have occurred.

Article 26: Long Term Contracts

- A. For a taxpayer who uses the accrual method, income and expenses relating to a long term contract shall be calculated on the basis of the percentage of the work completed during the taxable year.
- B. The percentage of work completed shall be determined by comparing the costs of the contract incurred during the taxable year with the total estimated cost of the contract.
- C. For the purposes of this Article, the term 'long term contract' shall mean a contract for the manufacture, installation, construction, or performance of services related thereto, and whose execution is not completed within the year in which execution started, with the exception of a contract that is expected to be completed within six months of the actual starting date of work cited in the contract.

Article 27: Stock

- A. A taxpayer who maintains stock shall establish and maintain inventories for such stock.
- B. The cost of goods sold during the taxable year shall be deducted.
- C. The cost of goods sold during a taxable year shall be determined by adding the cost of goods purchased during the year to the opening stock and subtracting the value of the closing stock.
- D. A taxpayer who uses the cash method shall calculate the cost of stock by use of the prime (direct) cost method or the absorption costing method, but a taxpayer using the accrual method shall calculate the cost of stock by use of the absorption costing method only.
- E. The value of the closing stock shall be the book or market value, whichever is lower at that date. A taxpayer shall calculate the book value of the stock by use of the weighted average method. However, it may use another method, after obtaining the Department's written permission, and it may not change the method chosen except with the consent of the Department.

Chapter 7: Additional Rules for Determining the Tax Base

Article 28: Joint Property

Income or expenses relating to jointly-owned property shall be apportioned among partners in proportion to their respective shares in the property.

Article 29: Valuation

- A. If calculation of the tax base or gross income involves non-cash properties, services, or other benefits, their market value shall be calculated as of the date it was recorded in the books for taxation purposes.

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- B. The market value of non-cash property transferred to an employee or any other service provider shall be determined without regard to any restrictions on transfer of ownership.

Article 30: Currency Conversion

- A. Gross income and tax base shall be calculated in Saudi riyal.
- B. If calculation of income involves an amount in a currency other than the Saudi riyal, the amount shall be calculated for taxation purposes in Saudi riyal at the exchange rate declared by the Saudi Arabian Monetary Agency on the date of the transaction.

Article 31: Indirect Payments or Benefits

The gross income of a taxpayer shall include any payment from which the taxpayer benefits directly or indirectly, as well as any payment dealt with according to its instructions, if such payment is considered income of the taxpayer if paid to the taxpayer directly.

Article 32: Damages Received

Compensation amounts received shall take the character of what is compensated for.

Article 33: Recoup of Deducted Expenses

- A. If a taxpayer recoups expenses, loss, or previously permitted bad debt, the recouped amount shall be included in the gross income for the year in which it is recouped and it shall take the status of the income related to expenses.
- B. For the purpose of this Article, expenditure shall be considered recouped in the absence of the basis for expenditure.

Article 34: Estimated Tax

- A. If branches of foreign airlines and sea or land freight and transportation companies operating in the Kingdom do not submit proof of their tax base in accordance with this Law, such tax base shall be determined as follows:
1. The tax base for branches of foreign airlines operating in the Kingdom shall be considered 5% of the gross income realized in the Kingdom from tickets, cargo, mail, or any other income. Such branches shall declare their gross income in the Kingdom at the times specified by law.
 2. The tax base for foreign freight and land and sea transportation companies operating in the Kingdom shall be considered 5% of the gross income realized in the Kingdom from freight charges or any other income. Such branches shall be required to declare their income in the Kingdom at the times specified by law.
- B. The Minister shall have the power to authorize certain other sectors to use estimated taxation to determine their tax base and rates in accordance with

the Regulations.

Article 35: International Agreements

In case the conditions of a treaty or an international agreement to which the Kingdom is party are inconsistent with the articles and provisions of this Law, the conditions of the treaty or international agreement shall prevail except for the provisions of Article 63 of this Law which are related to anti-tax avoidance procedures.

Chapter 8: Taxation Rules of Partnerships

Article 36: General Provisions

- A. Taxes shall be imposed on partners in partnerships and not on the company itself. The company is required to file a tax declaration to disclose information that shows the amount of income, profit, loss, expenses, debts, and any other items or tax related matters of the partnership for the taxable year. The declaration shall be subject to procedural rules, including fines imposed on tax declarations in accordance with this Law.
- B. The partnership, rather than its partners, shall be responsible for choosing the taxable year, accounting method, inventory method, and any other accounting policies consistent with this Law. It shall also be responsible for filing notifications and statements required in relation to its types of activity.
- C. The provisions of this Law concerning capital companies shall apply to the shares of limited partners in limited partnerships.

Article 37: Taxation on Partners

- A. In determining the tax base of a partner, income, deductions, losses, and debt derived or accrued against the partnership retain their status as to the income's geographic source and type, as well as the gains, deductions, losses, and debt.
- B. A partner's share in a partnership's income, loss, expenses, and debt shall be taken into account for the purpose of determining the tax base of the partner's taxable year in which the partnership's taxable year ends. The partner's loss which exceeds his cost base is suspended until the partner acquires a sufficient cost base to offset the loss or until the partner's share is disposed of.
- C. The related party's loss disallowance rule stated in Article 63(d) of this Law shall not be applicable to the partner's share of losses and expenses in a partnership in accordance with paragraph (b) of this Article. A partnership's loss which has been suspended according to Article 63(d) of this Law shall not be distributed among the partners until its conditions are fulfilled. The conditions shall be deemed fulfilled in case a loss is incurred in distribution upon the complete disposal of the partner's share.

Article 38: Cost Base of the Partner's Share

- A. The cost base of a partner's share in a partnership shall be determined by the amount the partner pays against his share plus the cost base of properties he contributed to the company.
- B. The cost base increases by the amount of a partner's share in a partnership's income (along with his exempt income) included in the partner's gross income.
- C. The cost base decreases, but not below zero, by the cost of distributions from the partnership to the partner, and by the partner's share of partnership losses, and the partnership's expenses and nondeductible expenses, except for capital items.
- D. Debt incurred by the partnership, including debt against its properties, increases each partner's cost base according to his share in the partnership. Debt incurred by some partners in the partnership, in their personal status, shall increase the cost base for these partners only.

Article 39: Cost Base of the Partnership's Assets

- A. The initial cost base of properties contributed to a partnership shall be equal to the cost base of the contributing partner.
- B. If a partner retires from a partnership and receives a distribution causing him to make profit by disposing of his share in the partnership, the cost base of the partnership's profiting assets shall be adjusted by increasing the amount of profit made, provided that the value of such assets does not exceed their market value. Cost base adjustments are distributed among assets according to the percentage difference between the cost base and the market value.
- C. If a partner retires from a partnership and receives a distribution causing him to incur a loss by disposing of his share in the partnership, the cost base of the partnership's losing assets shall be adjusted by reducing the value of the loss incurred, provided that the cost base of such assets is not less than zero. Cost base adjustments are distributed among assets in accordance with the percentage difference between the cost base and the market value.
- D. For the purposes of paragraphs (b) and (c) of this Article, a profiting asset is an asset that has a cost base lower than the market value, and a losing asset is an asset that has a cost base higher than the market value.

Article 40: Transfer of Property to a Partnership

- A. No gain or loss shall be calculated for the transfer of a partner's assets to a partnership against acquiring a share in such partnership.
- B. The partner is considered an owner of a share in the partnership equal to the difference between the value of the asset transferred by him to the partnership according to market prices and the amount paid to him. If the amount paid to him exceeds the market price, the excess amount shall be considered a distribution to the partner by the partnership.

Article 41: Transfer of Asset Ownership from a Partnership to a Partner

- A. A partnership's transfer of a non-cash asset to a partner therein, including liquidation of the partner's share, shall be treated as a disposal of the asset by the partnership, with a declaration of gain or loss on the transfer date.
- B. A partner shall take the cost base of the asset which equals the market value of the asset.
- C. A partner shall be deemed to have received a distribution of profit from the partnership with a value equal to the market price for the ownership of the asset transferred to him without paying its cost. The partner is treated as having disposed of part or all of his share in the partnership, if the estimated distribution exceeds the partner's cost base in the partnership. If the distribution is a complete disposal of a partner's share, and said distribution is less than the partner's cost base, the difference between the cost base and distribution may be deducted on the basis that it is a loss resulting from his disposal of his share.

Article 42: Change of Partners in a Partnership

- A. If a partner or partners enter into or retire from a partnership which results in its reconstitution, all its assets shall be considered transferred to the new partnership against shares in this partnership.
- B. Reconstitution of a partnership occurs when the entry or retirement of a partner or partners results in a change in the partnership's membership exceeding 50% of its formation in the year preceding the change.

Chapter 9: Rules of Taxation on Capital Companies

Article 43: General Provisions

- A. A tax shall be imposed on the shares of general partners in a partnership limited by shares, as in a partnership. Henceforth, the general partners' shares shall be deducted in determining the tax base of the partnership. The provisions of this Law which are applicable to partnerships shall apply to the shares of general partners in partnerships limited by shares.
- B. In case of a change of 50% or more in the ownership or control of a capital company, the share of a non-Saudi may not be deducted in losses incurred prior to the change in accordance with Article 21 of this Law in the taxable years following the change.

Chapter 10

Repealed

Chapter 11: General Provisions

Article 56

- A. The Authority is the body responsible for the administration, examination, assessment, and collection of income tax, as well as the imposition of penalties stipulated in this Law.
- B. Imposition of penalties shall be pursuant to a decision by the Governor or the person assigned by the Authority's Board of Directors.

Article 57: Taxpayers Registration

- A. Every person subject to tax in accordance with this Law shall register with the Department before the end of its first fiscal year.
- B. The provisions of this Article shall not apply to taxpayers subject only to final withholding tax in accordance with Article 68 of this Law.
- C. A fine not less than 1,000 riyals and not exceeding 10,000 riyals shall be imposed for failure to register. The Regulations shall specify the restrictions and amount of fine for different categories of taxpayers.

Article 58: Books and Records

- A. A taxpayer, other than a nonresident with no permanent establishment in the Kingdom, shall maintain the necessary commercial books and accounting records in Arabic for precise determination of the tax payable by it.
- B. The Department retains the right not to allow a deduction if the taxpayer is unable without reasonable excuse to produce a document of the expense or evidence supporting the legitimacy of its claim for the deduction.

Article 59: Confidentiality of Information

- A. The Department and all its staff shall maintain confidentiality of information pertaining to taxpayers which they have access to in their official capacity. As an exception, they may disclose information only to the following bodies:
 - 1. Employees of the Department, for the purpose of carrying out their duties under the law.
 - 2. Employees of the Customs Authority, for the purpose of enforcing the Customs Law.
 - 3. The General Audit Bureau, in its official capacity, for the purpose of auditing and reviewing.
 - 4. Tax authorities of foreign countries in accordance with treaties to which the Kingdom is party.
 - 5. Law enforcement agencies, for the purpose of the criminal prosecution of tax offenses.

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6. Any judicial body in the Kingdom, upon its order, in a case under its review, to determine a taxpayer's tax liability, or in any other administrative or criminal matter under its review.
 - B. A person receiving information under paragraph (a) of this Article shall be required to maintain its confidentiality, and not to use it except for the purpose for which it was required.
 - C. Information concerning a taxpayer may be disclosed to another person upon the taxpayer's written consent.

Chapter 12: Filing Declarations, Assessments, Procedures of Objections, and Appeals

Article 60: Declarations

- A. Every taxpayer required to file a declaration shall file it in the prescribed form, include its identification number, and it shall pay the tax due thereon to the Department.
- B. The tax declaration shall be filed within 120 days following the end of the taxable year for which the declaration was made.
- C. The following taxpayers shall be required to file a tax declaration:
 1. A resident capital company.
 2. A nonresident with a permanent establishment in the Kingdom.
 3. A resident, non-Saudi natural person who conducts business.
- D. A taxpayer who ceases business activity is required to notify the Department and submit, within 60 days from the cessation date, a tax declaration for the short taxable period ending on the date on which it ceases business.
- E. A taxpayer whose taxable income exceeds 1,000,000 riyals, shall have a certified accountant licensed to practice in the Kingdom certify the accuracy of the declaration.
- F. A partnership shall file an information declaration in accordance with Article 36 of this Law, on or prior to the sixtieth day following the end of its taxable year.

Article 61: The Department's Right to Information

- A. All persons and government bodies shall provide the Department with any information related to tax requested by the Department for the taxation purposes stipulated in this Law.
- B. The Department may conduct a field examination of the taxpayer's books and records during working hours to ascertain the correctness of the taxpayer's tax liability.
- C. All persons and government bodies shall provide the Department with

information on contracts concluded with the private sector within three months of the date of conclusion of the contract. The information shall include the names and addresses of the two parties, in addition to the subject of the contract, its value, financial terms, and execution and expiration dates. A person who does not provide the Department with what is required under this paragraph, or does not notify the Department of the date of cessation of work stated in the contract, shall be jointly liable for any tax claim due on the contract. The Regulations shall specify the conditions and procedures required to implement this obligation.

Article 62: Examination and Assessment Procedures

- A. The Department may correct and adjust the tax shown on the declaration to make it conform to the provisions of this Law, and it may perform tax assessment if the taxpayer does not file its declaration.
- B. The Department shall notify the taxpayer of the tax assessment under paragraph (a) of this Article and of the tax due on it by a registered official letter, or by any other means that proves its receipt of the notification.
- C. Subject to Article 65 of this Law, if it becomes clear to the Department that the tax it had previously accepted is incorrect, the Department may make an additional assessment on the taxpayer. The Department shall notify the taxpayer of the additional assessment and the reasons therefor. The taxpayer may object to the assessment as stipulated in the rules for objection.

Article 63: Anti-Tax Avoidance Procedures

- A. For the purpose of tax determination, the Department may:
 - 1. disregard any transaction with no tax effect; and
 - 2. reclassify transactions whose form does not reflect their substance and put them in their real form.
- B. The Department may make a tax assessment due on the taxpayer using the estimated tax method according to facts and circumstances pertaining to the taxpayer if the taxpayer fails to file its declaration on time, to keep precise accounts, books, and records, or to comply with the form, declaration form, and method required in its books and records.
- C. The Department may reallocate revenues and expenses in transactions among related parties or parties under the same body, so as to reflect the returns that would have resulted if the parties were independent and unrelated.
- D. A taxpayer may not deduct a loss resulting from the transfer of properties between it and a party related thereto. Unless otherwise provided for by this Law, the loss deduction shall be suspended until the related party disposes of the properties to another unrelated party.
- E. If an individual taxpayer splits its income and divides it with another person, the Department may adjust the tax base of the taxpayer and that of the other

person to prevent any reduction in the due tax.

F. For the purpose of this Article, income splitting means:

1. Transfer of income, directly or indirectly, from one person to another related thereto.
2. Transfer of properties, including money, directly or indirectly, from one person to another related thereto, which leads to the other person's realization of an income from such properties, if the reason or one of the reasons for the transfer is to lower the total tax due upon the income of the transferor or the transferee.

G. The Department may consider the value given by the transferee in determining whether the taxpayer is seeking to split income.

Article 64: Related Persons and Persons under Common Control

A. A natural person shall be considered related to another natural person if said person is a spouse or an in-law thereof, or a relative up to the fourth degree.

B. A natural person is considered related to companies of any type in the following circumstances:

1. If he is a partner in a partnership and he, either alone or together with a related person or persons under this Article, controls 50% or more of the rights to its income or capital, either directly or indirectly, through a subsidiary company or companies of any type.
2. If he is a partner in a capital company and he, either alone or together with a related person or persons under this Article, controls 50% or more of the voting rights or its value, either directly or indirectly, through a subsidiary company or companies of any type.
3. As for agencies that administer properties endowed for specific purposes, a natural person is deemed related thereto if he benefits or is capable of benefiting from them, either alone or with a related person or persons, in accordance with this Article.

C. Companies and agencies shall be deemed under common control if the same person or related persons control 50% or more according to this Article as follows:

1. With respect to partnerships, control means the ownership of rights to its income or capital, either directly or indirectly, through a subsidiary company or companies of any type.
2. With respect to capital companies, control means ownership of the voting rights therein or ownership of its value, either directly or indirectly, through a subsidiary company or companies of any type.
3. With respect to agencies that administrate properties endowed for specific purposes, control means the possession of a beneficial interest in their income or assets.

Article 65: Statutory Period of Tax Assessment

- A. The Department may, with a reasoned notification, make or amend a tax assessment within five years of the deadline specified for filing the tax declaration for the taxable year, or at any time, upon the written consent of the taxpayer.
- B. The Department may make or amend an assessment within 10 years of the deadline specified for filing the tax declaration for the taxable year if a taxpayer does not file its tax declaration, or it is found that the declaration is incomplete or incorrect with the intent of tax evasion.
- C. A taxpayer may request a refund of overpaid amounts at any time within five years from the end of the taxable year in which the amounts were overpaid.

Article 66

- A. A person against whom a penalty decision has been rendered may appeal such decision before the Tax Dispute and Violation Settlement Committee within 30 days from the date of knowledge thereof. Otherwise, such decision shall be deemed final and non-appealable before any other judicial body.
- B. If the subject matter of the appeal relates to an assessment decision, the appeal shall have no effect on the taxpayer's obligation to pay the uncontested tax amount due under the Law.

Article 67

- 1. A committee named the Tax Dispute and Violation Settlement Committee shall be formed, and it shall be entrusted with the following:
 - a) Settlement of disputes and conflicts, as well as civil and criminal lawsuits arising from the application of tax laws and regulations, as well as the decisions and directives related thereto.
 - b) Settlement of appeals filed against the Authority's decisions in implementation of tax laws and regulations, as well as the decisions and directives related thereto
 - c) The Committee shall have the powers necessary to investigate and decide on disputes falling within its jurisdiction, including the power to summon witnesses, issue subpoenas for documents and evidence, render decisions, and impose penalties.
- 2. The Committee shall be composed of a number of circuits; each circuit being entrusted with a particular tax law.
- 3. Each circuit shall be composed of three members and a fourth substitute member having legal or accounting qualifications and experience, provided that the head of the circuit and at least one of its members have legal qualifications, and the circuit shall not include members from agencies overseeing tax-related activities. The head of each circuit and its members shall be appointed pursuant to a royal order for a renewable term of four years. Upon the lapse of such term without the change or renewal of circuit

members, such members shall continue to carry out their duties pending the issuance of a royal order.

4. Committee decisions shall be passed by majority vote and may be appealed before the committee referred to in paragraph (5) of this Article within 30 days of the date of knowledge thereof; otherwise, they shall be deemed final.
5. A committee named the Tax Dispute and Violation Appellate Committee shall be formed, and it shall be entrusted with deciding on objections filed against the decisions of the Tax Dispute and Violation Settlement Committee.
6. The Appellate Committee shall be composed of a number of specialized circuits. Each circuit shall be composed of three members and a fourth substitute member having higher legal or accounting qualifications and experience, provided that the head of the circuit and at least one of its members have legal qualifications, and the circuit shall not include members from agencies overseeing tax-related activities. The head of each circuit and its members shall be appointed pursuant to a royal order for a renewable term of four years. Upon the lapse of such term without the change or renewal of circuit members, such members shall continue to carry out their duties pending the issuance of a royal order.
7. Appellate Committee decisions shall be passed by majority vote and shall be deemed final and non-appealable before any other judicial body.
8. Tax dispute lawsuits may not be heard upon the lapse of five years from the maturity date of the amount subject of the claim or the date of knowledge of the incident subject to the dispute, except in the presence of grounds acceptable by the Committee.
9. The Appellate Committee shall, within 60 days from the date of appointment of its members, set the work procedures of the Committees referred to in paragraphs (1) and (5) of this Article, to be issued by a royal order upon submission by the Chairman of the Authority's Board of Directors.
10. The Authority's Board of Directors shall determine the remuneration of the Committees' members, advisors, staff, and secretariat.
11. The Authority shall provide the Committees with the human and financial resources necessary for the discharge of their duties, in accordance with the rules referred to in paragraph (9) of this Article.

Chapter 13: Tax Collection

Article 68: Tax Withholding

- A. Every resident, whether or not a taxpayer according to this Law, and every permanent establishment of a nonresident in the Kingdom which pays an amount to a nonresident from a source in the Kingdom shall withhold tax from the paid amount according to the following rates:

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1. Rent: 5%.
 2. Royalty or proceeds: 15%.
 3. Management fees: 20%.
 4. Payments for airline tickets, air or sea freight: 5%.
 5. Payments for international telecommunication services: 5%.
 6. Any other payments specified in the Regulations, provided that the tax rate does not exceed 15%.
 7. In case of amounts paid by a natural person, the conditions for withholding stipulated under this Article shall apply to the payments pertaining to his activity.
- B. A person withholding tax under this Article shall comply with the following:
1. Registering with the Department and paying the amount withheld to the Department within the first 10 days of the month following the month of payment to the beneficiary.
 2. Providing the beneficiary with a certificate stating the amount paid to him and the value of the withheld tax.
 3. Providing the Department, at the end of the taxable year, with the beneficiary's name, address, and registration number (identification number), if available, along with any other information the Department may require.
 4. Maintaining the records required to prove the accuracy of the withheld tax as specified by the Regulations.
- C. The person responsible for withholding tax under this Article is personally liable to pay the unpaid tax and any delay fines resulting therefrom in accordance with Article 77(a) of this Law, if any of the following cases applies to him:
1. If he fails to withhold tax as required.
 2. If he withholds tax, but fails to pay the tax to the Department as required.
 3. If he fails to report withholding statements to the Department as stipulated under subparagraph (3) of paragraph (b) of this Article.
- D. In addition to what is stated in paragraph (b) of this Article, if tax is not withheld in accordance with the provisions of this Article, the beneficiary remains indebted to the Department for the amount of tax and the Department may recover it from him, or his agent or sponsor.
- E. Without prejudice to paragraphs (f) and (g) of this Article, if an amount is paid to a nonresident and tax is withheld from him in accordance with the provisions of this Article, said tax shall be final, taking into consideration that no further tax shall be imposed on the income from which the tax was withheld, and that the amounts paid as tax in accordance with this Article is not refunded.
- F. If the amount referred to in this Article is paid to a nonresident who conducts

business in the Kingdom through a permanent establishment, and the amount paid is directly connected with the business of the establishment, such amount shall be calculated in determining the tax base of the nonresident.

- G. If tax is withheld for an amount paid to a taxpayer which is included in its tax base, the withheld tax shall be deducted from the tax due on the taxpayer against the tax base.
- H. For the purposes of this Article and Article 5 of this Law, *services* shall mean any work performed for a compensation, except for the purchase and sale of goods or any other properties.

Article 69: Tax Payment

A taxpayer shall pay its due tax in accordance with its declaration within 120 days from the end of its taxable year.

Article 70: Advance Payments of Tax

- A. Without prejudice to paragraph (b) of this Article, a taxpayer who realizes income in the taxable year shall pay three advance payments of tax on or prior to the last day of the sixth, ninth, and twelfth months of the taxable year. The amount of payment is calculated using the following equation:

$25\% \times (A - B)$ where:

A = The taxpayer's tax for the preceding year according to its declaration.

B = The amount of tax paid in the preceding year by withholding from the source in accordance with Article 68 of this Law.

- B. A taxpayer shall not be obligated to make advance payments under paragraph (a) of this Article, if the result of the above equation is less than 500,000 riyals.
- C. The Department has the power to reduce any of the payments due under this Article if it is convinced that the taxpayer's income for the taxable year, with the exception of the income of which tax is withheld from the source under Article 68 of this Law, shall be substantially less than the income of the preceding year.
- D. A payment made pursuant to this Article shall be considered an advanced payment against the taxpayer's total tax for the taxable year for which the payment was made.
- E. The provisions of this Law relating to the collection of tax and its mandatory procedures shall apply to advance payments of tax as they apply to the tax itself.

Article 71: Payment of Tax in Installments

- A. The Minister has the power to allow payment in installments for amounts due on a taxpayer whenever enough reasons and justifications exist within the framework of requirements and conditions specified by the Regulations. The

Minister may delegate what he deems fit of this authority to the Director General of the Department. Further, the Minister, or his designee, may cancel the installment arrangement if he finds that the accruals of the Public Treasury are subject to loss.

- B. Payment of tax in installments in accordance with this Article shall not exempt the taxpayer from the payment of the delay fine for the period of installments pursuant to Article 77(a) of this Law.

Article 72: Refund of Overpayment

In the case of an overpayment of tax, the taxpayer shall be entitled to a refund of the excess amount together with a compensation at a rate of 1% for every 30 days, beginning 30 days after its claim and continuing until the taxpayer receives the amount.

Article 73: Seizure of the Taxpayer's Properties

- A. If a taxpayer fails to pay the tax due by the dates specified by law, the Department may seize the taxpayer's movable and immovable properties as allowed by Sharia. The Department may proceed with the procedures of seizure after the passage of 20 days from the taxpayer's receipt of the Department's notice of its intention of seizure.
- B. Any person, including banks and financial institutions, holding in possession a seized asset shall deliver the asset to the Department upon its request.
- C. A bank or financial institution shall refrain from allowing withdrawals or other payments from the taxpayer's bank account after receiving notice of the Department's intention to seize the taxpayer's account.
- D. A person not complying with the provisions of paragraphs (b) and (c) of this Article shall be obligated to pay the Department an amount equal to the value of the properties in its possession, not exceeding the amount for which the seizure was made.
- E. Tools used by the taxpayer for its trade and personal effects and furnishings are exempt from seizure, with a maximum limit not exceeding 300,000 riyals.

Article 74: Sale of Seized Property

- A. The Department shall, through the competent body, sell properties seized in accordance with the provisions of seizure.
- B. The expenses of the seizure and sale shall be paid first from the sales returns, then the tax and fines. Any remaining amount shall be returned to the taxpayer.
- C. Sale of the taxpayer's properties shall be suspended during the period of the administrative or judicial review of the assessment on the basis of which the seizure was made, except for:
1. perishable properties; and
 2. properties sold by the Department upon the taxpayer's request.

Article 75: Seizure of Funds Due to the Taxpayer

- A. Following seizure, the Department may issue notices to third parties, including employers, banks, or financial institutions, ordering direct payment to the Department of any funds the third party owes the taxpayer on or after the date of receipt of the seizure notification.
- B. A notice may be issued to the taxpayer's employer, and its validity may be limited to a specified period.
- C. The monthly maintenance due upon the taxpayer as well as its living expenses stipulated by the provisions of other laws in force shall not be subject to seizure.
- D. A person complying with the provisions of this Article and Articles 73 and 74 of this Law shall be exempted from any obligations to the taxpayer or any other person, regarding the value of properties seized from the time of its compliance.

Chapter 14: Fines

Article 76: Fines for Failure to File the Declaration

- A. A taxpayer not complying with the provisions of Article 60(a, b, d, and f) of this Law, shall be subject to a fine of 1% of its gross income, provided that the fine does not exceed 20,000 riyals.
- B. In case of failure to file the declaration within the prescribed time, the following fine shall be imposed in lieu of the fine stipulated under paragraph (a) of this Article, if the fine under paragraph (a) is less than the amount specified under this paragraph:
 - 1. 5% of the unpaid tax if the delay does not exceed 30 days of the date specified by law.
 - 2. 10% of the unpaid tax if the delay is more than 30 days and less than 90 days of the date specified by law.
 - 3. 20% of the unpaid tax if the delay is more than 90 days and less than 365 days of the date specified by law.
 - 4. 25% of the unpaid tax if the delay exceeds 365 days of the date specified by law.
- C. Unpaid tax shall mean the difference between the amount of tax due under this Law and the amount paid on the date specified by law under Article 60(b) of this Law.

Article 77: Delay and Fraud Fines

- A. In addition to the fines stipulated in Article 76 of this Law and in paragraph (b) of this Article, a taxpayer shall pay a delay fine of 1% for every 30 days of delay on unpaid tax, including delays in the payment of tax required to be

withheld and advance payments. It shall be calculated from the tax due date until the date of payment.

- B. In addition to the fines stipulated in Article 76 of this Law and in paragraph (a) of this Article, a taxpayer shall be subject to a fine of 25% of the difference in tax resulting from the provision of false information or fraud with the intention of tax evasion by the taxpayer or his certified accountant, and particularly in the following cases:
1. Submitting false books, records, accounts, or documents that do not reflect the true status of the taxpayer.
 2. Filing a declaration on the basis of the lack of books or records, and including therein information that contradicts what is shown in the taxpayer's books and records.
 3. Filing forged or fictitious invoices or documents, or altering purchase or sale invoices or other documents with the intention of understating profits or overstating losses.
 4. Failing to declare one or more taxable activities.
 5. Destroying or hiding books, records, or documents prior to the Department's examination.

Article 78: Liability of Certified Accountants

Without prejudice to the Certified Accountants Law, the Department may prosecute any certified accountant proven to have presented or certified false statements, which constitutes a violation of established accounting principles with the intention of assisting the taxpayer to evade all or part of the tax.

Chapter 15: The Minister's Powers

Article 79: The Minister's Powers

The Minister shall have the following powers:

- A. Issuing the Implementing Regulations of this Law.
- B. Issuing instructions and taking measures he deems necessary for the implementation of this Law.
- C. Amending the depreciation groups and rates stipulated in Article 17 of this Law.
- D. Canceling tax debts and fines that have been determined uncollectible. The Regulations shall specify the cases where collection is impossible.
- E. Granting the remunerations of outstanding employees pursuant to recommendations by the Department's Director General. The Regulations shall specify the conditions and restrictions for such remuneration.

Chapter 16: Concluding Provisions

Article 80: The Law's Entry into Force

- A. This Law shall be published in the Official Gazette and shall enter into force after 90 days from its publication date.
- B. This Law shall apply to taxable years beginning after the date of its entry into force. As for taxable years starting on or prior to the date of its entry into force, they shall be subject to tax laws in effect prior to the issuance of this Law.
- C. This Law shall repeal the Income Tax Law issued by Royal Decree No. (3321) dated 21/1/1370H and its amendments, the Law of Additional Income Tax on Companies Engaged in Production of Oil and Hydrocarbons issued by Royal Decree No. (7634) dated 16/3/1370H and its amendments, and the Natural Gas Investment Tax Law issued by Royal Decree No. (M/37) dated 25/6/1424H.
- D. Tax withholding provisions stipulated in Article 68 of this Law shall become effective from the date the Law enters into force.

Article 81: Transitional Provisions

- A. In case of acquiring an asset in a taxable year prior to the effectiveness of this Law, the value to be added to the appropriate group shall be the cost of the asset minus any depreciation deduction previously granted to the taxpayer.
- B. Operational losses incurred before the entry into force of Council of Ministers' Resolution No. (3) dated 5/1/1421H may not be carried forward.
- C. Operational losses incurred by the taxpayer during a tax exemption period may not be carried forward.