



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

# Compendium of Defenses Raised in Zakat Disputes and the Committees' Responses For the Year 2024



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



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## Introduction

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

There is no doubt that the efforts made by the courts and judicial Committees and the Provisions and Decisions issued by them constitute a priceless jurisprudential and judicial heritage, and a result that should be given attention and care. Considering the commercial and industrial revolution that of Saudi Arabia is experiencing under the Saudi Vision 2030, many questions on zakat and tax issues have arisen, confusing many people. As part of the social responsibility pursued by the General Secretariat of Zakat, Tax and Customs Committees, it sought to form a solid foundation and reference for members of tax committees, taxpayers and interested parties by studying and analyzing the final decisions issued by the tax committees for the year 2024, by extracting the most prominent defenses raised before the tax committees and their stance on them, which effectively contributes to serving zakat and tax disputes. This limits the prolongation of the consideration of cases, as it contributes to clarifying the decisions settled by the committees, which will be reflected in shortening the litigation time for clients, reducing the effort on the judge, and realizing the principle of transparency adopted by the General Secretariat. Moreover, it helps making the applied aspects available to parties concerned with sharia and legal research, especially academic and training bodies and others.

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



## Speech of His Excellency the Secretary General of the Zakat, Tax and Customs Committees

All praise is due to Allah alone, and thereafter:

Based on the vision and values of the General Secretariat of the Zakat, Tax and Customs Committees -which aims to achieve excellence in resolving zakat, tax, and customs disputes- on the basis of innovation and efficiency, promoting transparency and justice, and developing cooperation among the components of the zakat, tax, and customs system, the Secretariat is actively working to raise legal awareness. This aligns with the goals of Saudi Vision 2030 through enabling judicial guarantees and establishing a framework of transparency and justice. The Secretariat supports the Zakat, Tax, and Customs Committees in addressing unresolved disputes before them, provides assistance to the committees at all stages through conducting studies and research, and offers support to litigants by clarifying relevant regulations, decisions, and precedents, as well as by updating and organizing them regularly.

The General Secretariat has developed a compendium of legal defenses, particularly those raised by litigants, and has analyzed the positions adopted by the appellate and objection committees. This was done to build a legal reference that results in practical insights contributing to the realization of several objectives of the Secretariat, including reducing disputes and conflicts, and strengthening the position of the committees in analyzing such defenses and rationalizing the decisions issued by the committees. In conclusion, I extend my sincere thanks and appreciation to the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz, and to His Royal Highness Crown Prince Mohammed bin Salman bin Abdulaziz, Prime Minister — may Allah protect them — for their continued support of judicial and quasi-judicial activities. I also express my gratitude to the distinguished staff of the General Secretariat for their outstanding efforts in producing this output, which I hope will achieve its intended goals and serve as an added value in the legal field.

Secretary-General

Abdullah bin Abdulrahman al-Suhaibani



## Methodology

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

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

- The final decisions issued by the tax committees related to Zakat cases were inventoried during 2024.
- The name of the circuit issuing the decision, the number of the decision, and the date of issuance were listed.
- Keywords have been set to make it easier to search through them.
- A summary of the case which summarizes the most important parts of the case was developed.
- Listing the references that the circuit relied on when issuing the decision, with the presence of hyperlinks to those references.
- Listing the defenses of the parties in the lawsuit.
- Statement of the circuit's position on those defenses.
- The text of the circuit's decision.
- Ensuring the deletion of all data indicating the parties to the lawsuit or other parties without affecting the Decision.
- Verifying the integrity of the Decision from a linguistic and spelling perspective.
- Categorize decisions thematically as appropriate and place them under the most relevant category.



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

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

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

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

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

**Second: Sections of defenses:**

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

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

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

**Defenses also vary in terms of timing into two types:**

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

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

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

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

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

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

(5) See: The previous reference.

(6) Al-Kashif in explaining the Shari'ah Pleadings Law (1/401).

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



## ***Procedural defenses raised in zakat disputes and committees' responses***



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No IR-2024-194362

Case No. Z-2023-194362

Keywords:

Zakat - Procedural - Lack of Capacity - Acceptance of Taxpayer's Appeal

Summary:

The taxpayer's objection to the decision of the second circuit regarding income tax violations in Riyadh number (ISR-2023-167490), where his appeal regarding the (zakat assessments for the years from 2014 to 2018) is that the Schools Company (...) The private company was converted into a branch of the company (...) On 19/05/2015, it was registered as a branch of the company (...) whose financial statements for the year 2014 end on 30/06/2015, and that the last independent financial statement for the Schools Company (...) The private company before the conversion is the financial statement for the year 2013, and the due zakat has been paid on it. And since the Appellate Committee has established that the assessment decisions were issued against an entity that has no legal status due to its conversion into a branch of a joint-stock company, the assessment decisions were issued after the company's conversion in the absence of a legal entity that can be assessed under the provisions of zakat collection; this shows the invalidity of the authority's assessment decisions due to the lack of a condition of the decision represented in the realization of the status of the person to whom it was addressed. This means; accepting the taxpayer's appeal and canceling the decision of the adjudicating circuit.

Document

- Zakat, Tax and Customs Committees Regulations issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Paragraph (1) of Article (15) of the Rules for the Work of Zakat, Tax, and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH.

Parties Defenses:

Appellant's



- 1- The taxpayer argued that the due zakat on the Schools Company (...) was paid before its conversion into a branch of the company (...) in 2013. Based on the above, and upon the circuit's review of the case file, it became clear that the appellant had converted the Schools Company (...)

### The Committee's response to



the private company (a limited liability company - commercial registration number ...) with all its rights and obligations to a branch of the company (...) (a closed joint-stock company - commercial registration number ...) by virtue of the partners' decision dated 01/08/1436 AH according to what is stated in the document issued by the Ministry of Commerce number (...) and dated 27/06/1440 AH, where the dispute in the zakat assessment for the years from 2014 to 2019 was issued on 28/10/2020, 29/10/2020, 05/05/2020, and 05/02/2020, and since the assessment decisions were issued against an entity that has no legal status due to its conversion into a branch of a joint-stock company, the assessment decisions were issued after the company's conversion in the absence of a legal entity that can be assessed under the provisions of zakat collection; this shows the invalidity of the authority's assessment decisions due to the lack of a condition of the decision represented in the realization of the status of the person to whom it was addressed, which necessitates the circuit to accept the taxpayer's appeal and cancel the decision of the adjudicating circuit and cancel the authority's procedure. Accepting the appeal procedurally from the taxpayer/ Schools Company (...)

### Decision

- 1- the private company, commercial registration (...), unique number (...) against the decision of the second circuit regarding violations and disputes of income tax in Riyadh number (ISR-2023-167490) issued in case number (Z-2023-167490) related to the zakat assessments for the years from 2014 to 2018. Accepting the taxpayer's appeal and canceling the decision of the adjudicating circuit and canceling the authority's procedure.

- 2- On the Merits:

Accepting the taxpayer's appeal and canceling the decision of the adjudicating circuit and canceling the authority's procedure.



# **Subjective defenses raised in zakat disputes and committees' response**

## **(Elements of addition to the zakat base)**



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No IR -2024-178723

Case No. ZI-2023-178723

Keywords:

Zakat – Elements of addition to the zakat base – Adding the increase in capital to the zakat base –  
Acceptance of the authority's appeal

Summary:

The objection of the Zakat, Tax and Customs Authority to the decision of the Third Circuit regarding violations and disputes of income tax in Riyadh No. (IFR-2022-6884), where its appeal lies on the item (the increase in capital) due to the existence of a financing amount used to finance capital works under execution. And since the Appellate Committee confirmed by reviewing the financial statements that the taxpayer indicated that the entire financing amount is used to finance capital works under execution, and since a person is held accountable for his declaration. The implication of this; acceptance of the authority's appeal and cancellation of the decision of the adjudicating circuit.

Document

- Paragraph (4/1) of Article (4) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.
- Paragraph (3) of Article (20) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

Parties Defenses:

Appellant's

- 1- The authority argued that it added the increase in capital to the zakat base based on the provisions of the executive regulation for collecting zakat, as it is not required for a year to pass to add it if its source is equity or financing for capital works under execution.



## The Committee's response to the defenses:

Based on item (First/1) of Article (4) of the executive regulation for collecting zakat issued by the ministerial decision No. (2082) dated 1/06/1438 AH which stated that: "The zakat base consists of all the taxpayer's assets subject to zakat, including:" 1- The capital that has passed a year, as well as the increase in it even if a year has not passed if the source of this increase is one of the elements of equity or was financing for an asset deducted from the zakat base" and based on paragraph (3) of Article (20) which states: "The burden of proving the accuracy of what is stated in the zakat declaration of the taxpayer regarding items and any other data lies with the taxpayer, and if he is unable to prove the accuracy of what is stated in his declaration, the authority may not approve the item that is not proven by the taxpayer or may impose an estimated assessment according to the authority's perspective in light of the circumstances and facts related to the case and the information available to it." Based on the above, it is clear from the regulatory texts above that the increase in capital is added to the zakat base when a year has passed on it or if its source is from equity items or used to finance one of the assets deducted from the zakat base, as it is evident from reviewing the financial statements that there is an amount due to related parties which is the partner, and the financing amount is used as mentioned in financing capital works under execution, in addition to the authority providing a response from the taxpayer on the draft zakat assessment indicating that the amount of (9,821,219) riyals was added to the capital to finance capital works under execution, and it is also evident from the financial statements that the financing provided by the partner was provided to support the company's works and to finance additions to capital works under execution, and the taxpayer also indicated that the capital works under execution that took place during the year 2015 amounted to a total of (48,158,852) riyals, and after reviewing the financial statements, it became clear that the taxpayer indicated that the entire financing amount is used to finance capital works under execution, and since a person is held accountable for his declaration, the circuit concludes with the acceptance of the authority's appeal and the cancellation of the decision of the adjudicating circuit regarding this item.

## Decision

1- Acceptance of the appeal procedurally from its submitter, the Zakat, Tax and Customs Authority against the decision of the Third Circuit regarding violations and disputes of income tax in Riyadh with number (IFR-2022-6884) issued in case number (ZI-2021-67596) related to the zakat assessment for the year 2015.

2- On the Merits:

Acceptance of the authority's appeal and cancellation of the decision of the adjudicating circuit regarding item (the increase in capital).



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No IR -2024-191284

Case No Z-2023-191284

Keywords:

Zakat – Elements of addition to the zakat base – Adding the carried forward balance from the end-of-service provision – Acceptance of the authority's appeal – Acceptance of the taxpayer's appeal

Summary:

The taxpayer's objection and the Zakat, Tax and Customs Authority to the decision of the Third Circuit regarding violations and disputes of income tax in Riyadh No. (ITR-2022-6304), where the taxpayer's appeal lies on the item (due to related parties) due to his request for a set-off between the credit balance of the (...) company. With an amount of (2,375,250) riyals and a debit balance of (5,656,000) riyals, and the item (creditors) to claim the total balance at the beginning of the period after deducting the deductions in total. The authority's appeal lies on the item (due to related parties) in that the amount due to related parties (credit) that has passed a year represents an amount of (2,729,668) riyals, and the item (end-of-service provision (accrued/rolled over) to add what has passed a year. And since it was established for the Appellate Committee that the taxpayer acknowledged the passing of a year on the amount (393,690) riyals, the authority and the adjudicating circuit agree on the amount acknowledged by the taxpayer, and upon reviewing the movement of the end-of-service provision, the accrued end-of-service provision is (70,061) riyals which is added to the net accounting profit, and since the decision of the adjudicating committee was based solely on the carried forward balance. This means accepting the appeal of the authority and accepting the appeal of the taxpayer.

Document

- Paragraph (1) of article (4) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.



## Parties Defenses:

### Appellant's

- 1- The authority argued that a service termination provision of (70,061) riyals was added, and the carried forward provision was (393,690) riyals, totaling (463,751) riyals according to the taxpayer's declaration.
- 2- The authority argued that its procedure in the item was correct, stating that the amount carried forward is (393,690) riyals.

## The Committee's response to the defenses:

Based on paragraph (9) of item (First) of Article (4) of the executive regulation for the collection of zakat issued by Minister of Finance Decision No. (2082) dated 01/06/1438 AH, which stated: "The zakat base consists of all the taxpayer's assets subject to zakat, including:" 9- Provisions at the beginning of the year (excluding doubtful provisions for banks) after deducting the user during the year." Based on the above, the zakat treatment for provisions is represented by adding the balance formed during the year to the net accounting profit, and adding the beginning balance after deducting the user to the elements subject to the zakat base to reach what has been carried forward, and upon reviewing the documents submitted in the case file, the taxpayer acknowledged that the year has passed on the amount of (393,690) riyals, and the authority and the adjudication circuit agree on the amount acknowledged by the taxpayer. Upon reviewing the end-of-service provision movement, the amount formed from the end-of-service provision is (70,061) riyals, which is added to the net accounting profit. Since the decision of the adjudication committee was based solely on the carried forward balance, the circuit concludes to partially accept the authority's appeal and amend the adjudication circuit's decision regarding this item.

## Decision

- 1- Acceptance of the appeal procedurally from the taxpayer / Company ..., Commercial Registration (...), Unique Number (...) And the appeal submitted by the Zakat, Tax and Customs Authority against the decision of the third circuit for adjudicating violations and disputes of income tax in Riyadh with number (ITR-2022-6304) issued in case number (Z-2021-79879) related to the zakat assessment for the year 2016.\
- 2- On the Merits:
  - 1- Accepting the appeals of both parties and canceling the decision of the adjudication circuit regarding the item (due to related parties).



- 2- Partially accepting the authority's appeal and amending the decision of the adjudication circuit regarding the item (end-of-service provision (formed/carried forward)).
- 3- Rejecting the authority's appeal and upholding the decision of the adjudication circuit regarding the item (doubtful debts).
- 4- Rejecting the taxpayer's appeal and upholding the decision of the adjudication circuit regarding the item (accrued expenses and professional fees).
- 5- Partially accepting the taxpayer's appeal and amending the decision of the adjudication circuit regarding the item (creditors).



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No IR-2024-191855

Case number Z-2023-191855

Keywords:

Zakat – Elements added to the zakat base – Retained earnings – Partially accepting the taxpayer's appeal

Summary:

The taxpayer's objection to the decision of the first circuit for adjudicating violations and disputes of income tax in Riyadh number (IFR-2023-113299), where the taxpayer's appeal on the item (retained earnings) is based on the equality of profit distributions and withdrawals during the year, indicating that these profits did not exist at the date of preparing the financial statements, and argues that the profits were recorded in the partners' current account according to their share in the capital and that the partners' withdrawals exceeded the profits. In the item (partners' salaries), the taxpayer requests the full deduction of partners' salaries, not just what is registered with social insurance, as the partners manage the company themselves. And since it was established to the Appellate Committee regarding the item of retained earnings that one partner's withdrawals exceeded the distributed profits and thus did not pass the year, and another partner's withdrawals were after the year had passed, and regarding the item of partners' salaries, it was established that the taxpayer submitted an analytical summary of salaries and wages and that a fixed amount was allocated to each partner for management, transportation allowance, and allowances. Since the authority did not accept the deduction of the difference, it argues that the amount of the difference in salaries stated in the declaration and registered with social insurance is much less than the salaries of similar positions in other companies, and by calculating the non-deductible amount and dividing it among the partners, it appears that it equals the salaries of similar positions. This means that regarding the item of retained earnings, the taxpayer's appeal is partially accepted, and regarding the item of partners' salaries, the taxpayer's appeal is accepted.

Document

- Zakat, Tax and Customs Committees Regulations issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Article (70) of the Judicial Procedures law issued by Royal Decree No. (M/1) dated 22/01/1435 AH.
- Paragraph (8) of Article (4) of the executive regulation for the collection of zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.



- Paragraph (2) of Article (5) of the executive regulation for the collection of zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

### Parties Defenses:

#### Appellant's

- 1- The taxpayer argued that the board of directors' decision to distribute profits and a bank statement proving the distribution in the partners' accounts were submitted, as well as the partners' current account showing the distribution and withdrawals of the partners.

### The Committee's response to the defenses:

According to paragraph (8) of item (First) of Article (4) of the executive regulations for the collection of Zakat issued by the Minister of Finance's decision No. (2082) dated 01/06/1438 AH, which stated the following: "The zakat base consists of all the taxpayer's assets subject to zakat, including:" 8- The balance of retained earnings from previous years at the end of the year." Based on the above, and since the dispute lies in adding the balance of retained earnings at the beginning of the period, the authority acknowledges adding the balance of (4,259,508) riyals to the Zakat base due to the lack of supporting documents. The taxpayer argues that the profits were recorded in the partners' current account according to their share in the capital and that the partners' withdrawals exceeded the profits. Upon reviewing the documents, it is clear that the taxpayer submitted a decision from the partners dated 23/2/2016 to distribute the balance of retained earnings for the year ending 31/12/2015, as well as a bank statement in addition to an analytical statement for the partners' current account for partners (Partner A and Partner B). Upon reviewing the analytical statements, it was found that profits of (425,951) riyals were transferred to Partner A's current account on 29/02/2016, and it is evident that Partner A's withdrawals exceeded the distributed profits and thus did not complete the year. Regarding Partner B, upon reviewing the analytical statement, it is clear that profits of (3,833,557) riyals were transferred to Partner B's current account on 29/02/2016, and it is evident that Partner B's withdrawals amounting to (813,815) riyals occurred after the year had completed, which leads the authority to accept the taxpayer's appeal partially and add the amount of (813,815 riyals) that had completed the year, and amend the decision of the adjudication authority.

### Decision

- 1- Acceptance of the appeal procedurally from the taxpayer/ (.....) Commercial (.....), distinctive number (.....), against the decision of the first authority for adjudicating violations and disputes of income tax in Riyadh with number (IFR-2023-113299) issued in case number (Z -2022-113299) related to the Zakat assessment for the year 2016.



## 2- On the Merits:

1- Rejecting the taxpayer's appeal and upholding the decision of the adjudication authority regarding item (salary differences).

2- Partially accepting the taxpayer's appeal and amending the decision of the adjudication authority regarding item (retained earnings).

3- Accepting the taxpayer's appeal and canceling the decision of the adjudication authority regarding item (partners' salaries).

This decision is considered final according to the provisions of Articles 47 and 48 of the rules of operation of the committees for adjudicating tax violations and disputes.



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR-2024-169448

Case No. Z-2023-169448

Keywords:

Zakat – Elements of addition to the Zakat base – Retained earnings – Acceptance of the taxpayer's appeal

Summary:

The taxpayer's objection to the decision of the first authority for adjudicating violations and disputes of income tax in Riyadh No. (IFR-2022-2154), where his appeal lies on item (amount due to related parties) in order to claim the deduction of the debit balance of the partners within the limits of their share of retained earnings, and item (retained earnings (b) adjustments for previous years) according to the following grounds that the authority did not adjust the balance of retained earnings by the value of adjustments for previous years amounting to (4,279,239) riyals. And since it has been established to the Appellate Committee that the taxpayer submitted an extract from the system for the movement of previous adjustments amounting to (4,279,239) riyals, it is clear from the financial statements - partners' rights list - that the item relates to adjustments for previous years. Consequently; accepting the taxpayer's appeal and canceling the decision of the adjudication authority.

Document

- Paragraph (4/8) of Article (4) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.
- Paragraph (2) of Article (20) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

Parties Defenses:

Appellant's

- 1- The taxpayer argued that the authority did not adjust the balance of retained earnings by the value of adjustments for previous years amounting to (4,279,239) riyals.



## The Committee's response to the defenses:



And since paragraph (8) of item (First) of Article (4) of the executive regulations for the collection of Zakat issued by the Minister of Finance's decision No. (2082) dated 01/06/1438 AH stated: "The zakat base consists of all the taxpayer's assets subject to zakat, including:" 8- The balance of retained earnings from previous years at the end of the year." Paragraph (3) of Article (20) also stated: "The burden of proving the accuracy of what is stated in the zakat declaration of the taxpayer regarding items and any other data lies with the taxpayer, and if he is unable to prove the accuracy of what is stated in his declaration, the authority may not approve the item that is not proven by the taxpayer or may impose an estimated assessment according to the authority's perspective in light of the circumstances and facts related to the case and the information available to it." Based on the above, and upon reviewing the case file and what it contains of defenses and documents; and since the taxpayer submitted an extract from the system for the movement of previous adjustments amounting to (4,279,239) riyals, it is clear from the financial statements - partners' rights list - that the item relates to adjustments for previous years, which leads the authority to accept the taxpayer's appeal and cancel the decision of the adjudication authority in this item.

## Decision

1- Acceptance of the appeal procedurally from the taxpayer/ Company ..., commercial register (...), distinctive number (...) Against the decision of the first authority for adjudicating violations and disputes of income tax in Riyadh with number (IFR-2022-2154) issued in case number (Z-2021-73650) related to the Zakat assessment for the year 2017.

2- On the Merits:

1- Partially accepting the taxpayer's appeal and amending the decision of the adjudication circuit regarding the item (due to related parties) by deducting the outstanding balance according to the percentage of each partner.

2- Rejecting the taxpayer's appeal and upholding the decision of the adjudication circuit regarding the item (long-term real estate investments).

3- Regarding the taxpayer's appeal on the item (carried forward profits):

A - Rejecting the taxpayer's appeal and upholding the decision of the adjudication circuit regarding the item (profit distributions).

B - Accepting the taxpayer's appeal and canceling the decision of the adjudication circuit regarding the item (settlements for previous years).



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR -2024-191941

Case No. Z-2023-191941

Keywords:

Zakat – Elements added to the zakat base – carried forward profits – accepting the taxpayer's appeal

Summary:

The taxpayer's objection to the decision of the first circuit regarding violations and disputes of income tax in Riyadh number (IFR-2023-115490), where his appeal is based on the item (carried forward profits from 2016 to 2018) to claim the deduction of the distributed profits from the zakat base. It was established to the Appellate Committee that the (year 2016) carried forward profits balance was (320,097) riyals, and the taxpayer submitted payment vouchers on 10/03/2016, 15/06/2016, and 17/08/2016 proving the total amount of (150,000) riyals was withdrawn from the taxpayer's account before the end of the year, and (in 2018) the carried forward profits balance was (401,058) riyals, and the taxpayer submitted payment vouchers on 25/03/2018, 28/03/2018, 05/05/2018, 10/07/2018, and 03/10/2018, proving the total amount was withdrawn from the taxpayer's account before the end of the year, and based on the above, the amount that was due for the year 2016 is (170,097) riyals. Consequently; partially accepting the taxpayer's appeal and amending the decision of the adjudication circuit.

Document

- Paragraph (8) of Article (4) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

Parties Defenses:

Appellant's

- 1- The taxpayer argued that the authority added carried forward profits without providing documents supporting their distribution, which constitutes a violation of legal requirements.



## The Committee's response to the defenses:



Based on paragraph (8) of item (First) of Article (4) of the executive regulation for collecting zakat issued by the Minister of Finance's decision number (2082) dated 01/06/1438 AH, which stated the following: "The zakat base consists of all the taxpayer's assets subject to zakat, including:" 8- The balance of carried forward profits from previous years at the end of the year." Based on the above, it is clear that the dispute between the parties in the case lies in the taxpayer's request to deduct the distributed profits from the zakat base, and upon reviewing the documents submitted in the case file, it is evident that the taxpayer submitted a decision from the partners to distribute the profits and also submitted payment vouchers showing the following: (In 2016) the carried forward profits balance was (320,097) riyals, and the taxpayer submitted payment vouchers on 10/03/2016, 15/06/2016, and 17/08/2016 proving the total amount of (150,000) riyals was withdrawn from the taxpayer's account before the end of the year, and (in 2017) the carried forward profits balance was (1,060,235) riyals, and the taxpayer submitted payment vouchers on 20/04/2017, 30/05/2017, 15/07/2017, and 20/10/2017 proving the total amount of (820,097) riyals was withdrawn from the taxpayer's account before the end of the year, and (in 2018) the carried forward profits balance was (401,058) riyals, and the taxpayer submitted payment vouchers on 25/03/2018, 28/03/2018, 05/05/2018, 10/07/2018, and 03/10/2018, proving the total amount was withdrawn from the taxpayer's account before the end of the year, and based on the above, the amount that was due for the year 2016 is (170,097) riyals, and for the year 2017 is (240,138) riyals, which leads the circuit to partially accept the taxpayer's appeal and amend the decision of the adjudication circuit regarding this item.

## Decision

1- Accepting the appeal procedurally from the taxpayer/ Company..., commercial registration (...), unique number (...). And the appeal submitted by the Zakat, Tax and Customs Authority, against the decision of the first circuit regarding violations and disputes of income tax in Riyadh number (IFR-2023-115490) issued in case number (Z-115490-2022) related to the zakat assessment for the years from 2009 to 2018.

2-On the Merits:

1- Accepting the withdrawal of the lawsuit regarding the authority's appeal on the item (statute of limitations 2009-2015) and the related items.

2- Rejecting the taxpayer's appeal and upholding the decision of the adjudication circuit regarding the item (imports 2016-2018).

3- Partially accepting the taxpayer's appeal and amending the decision of the adjudication circuit regarding the item (carried forward profits from 2016 to 2018).



- 4- The taxpayer's appeal was rejected, and the decision of the adjudication committee regarding item (suppliers 2016-2018) was upheld.
- 5- The taxpayer's appeal was rejected, and the decision of the adjudication committee regarding item (other debts and balances 2016) was upheld.
- 6- The taxpayer's appeal was rejected, and the decision of the adjudication committee regarding item (short-term loans 2016) was upheld.
- 7- The taxpayer's appeal was rejected, and the decision of the adjudication committee regarding item (accrued expenses 2016-2018) was upheld.
- 8- The taxpayer's appeal was rejected, and the decision of the adjudication committee regarding item (non-settlement of lands 2016-2018) was upheld.
- 9- The taxpayer's appeal was rejected, and the decision of the adjudication committee regarding item (non-settlement of investment in shared land with others (2016-2018)) was upheld.
- 10- The taxpayer's appeal was rejected, and the decision of the adjudication committee regarding item (end-of-service provision carried forward (2018)) was upheld.
- 11- The taxpayer's appeal was rejected, and the decision of the adjudication committee regarding item (bad debt expense 2017) was upheld.



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No IR-2024-181732

Case No Z-2023-181732

Keywords:

Zakat – Elements of addition to the zakat base – Addition of the end-of-period balance from deferred cash purchases – Acceptance of the authority's appeal – Rejection of the taxpayer's appeal.

Summary:

The taxpayer and the Zakat, Tax, and Customs Authority objected to the decision of the first circuit regarding violations and disputes of income tax in Dammam number (IZD-2022-2765) for the year 2015. The taxpayer's appeal regarding item (disallowance of deducting dividends from the opening balance of retained earnings) is based on the rejection of deducting dividends from the opening balance of retained earnings for the year 2015. And the (Adding the end-of-period balance from deferred cash purchases to the zakat base) item where the authority considered that this balance represents part of the creditors' account that was used to finance the purchase of fixed assets (vehicles), and thus should be added to the zakat base. And it was established to the Appellate Committee that the acceptance of the authority's appeal and the cancellation of the committee's decision regarding the addition of the cash purchase balance was confirmed. As for the item on dividends, the taxpayer's appeal was rejected based on the legal grounds provided. Thus; the authority's appeal is accepted, and the taxpayer's appeal is rejected.

Document

- Paragraph (5) of Article (4) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

Parties Defenses:

Appellant's

- 1- The authority argued that according to the disclosure provided by the taxpayer, the creditors used the amount to finance the purchase of fixed assets (vehicles), and the corresponding amount was deducted from the fixed assets according to the financial statements.



## The Committee's response to the defenses:

And based on paragraph (First/5) of Article (4) of the executive regulation for collecting zakat issued by Ministerial Decision No. (2082) dated 1/6/1438 AH, which stated: "The zakat base consists of all the taxpayer's assets subject to zakat, including:" 5- Government and commercial loans and other sources of financing such as creditors, promissory notes, and overdraft accounts owed by the taxpayer as follows: A- What remains of it in cash and has completed a year. B- What has been used to finance what is intended for acquisition. J- What has been used in commercial transactions and has passed a year on it. Based on the above, it is clear that the disagreement lies in adding the end-of-period balance of cash purchases deferred payment, which forms part of the creditors' account to the zakat base for the year 2015. Therefore, since the creditor balances are one of the components of the zakat base regardless of their type, source, or classification, provided that a year has passed on them or they are used to finance the assets deducted from the zakat base without requiring a year to pass on them. Upon reviewing the case file and the defenses and documents it contains, it is evident that the authority's viewpoint in adding the end-of-period balance is due to the creditors' use to finance the purchase of fixed assets (cars). Referring to the authority's appeal list, a statement of account balances was submitted, which showed that the disputed balance was against car purchases and was deducted from the zakat base. Therefore, the balance is added to the zakat base to meet the deducted amount, which leads the committee to accept the authority's appeal and cancel the decision of the division regarding this item.

## Decision

1- Accepting the appeal procedurally from the taxpayer / Company ... For car rental, commercial registration (...), unique number (...) The appeal submitted by the Zakat, Tax and Customs Authority against the decision of the first division regarding violations and disputes of income tax in the city of Dammam with number (IZD-2022-2765) issued in case number (ZI-2022-90363) related to the zakat assessment for the year 2015.

2-On the Merits:

1- Accepting the authority's appeal and canceling the decision of the division regarding the item (adding the end-of-period balance of cash purchases deferred payment for the year 2015).

2- Rejecting the taxpayer's appeal and upholding the decision of the division regarding the item (not allowing the deduction of profit distributions from the opening balance of retained earnings).



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No IR-2024-171154

Case No. Z-2023-171154

Keywords:

Zakat – Elements of addition to the zakat base – Advance payments for purchasing land – Accepting the taxpayer's appeal

Summary:

The taxpayer's objection to the decision of the first division regarding violations and disputes of income tax in Jeddah Governorate number (IZJ-2022-2585) regarding the zakat assessment for the year 2015, where the taxpayer's appeal is based on the item (Payment in advance for purchasing land for the year 2015), clarifying that the land was classified as a current asset by the external auditor according to international financial reporting standards, and that the purpose of purchasing the land is to build buildings on it for investment in sale and rent, not for trading. And since it has been established to the Appellate Committee that the appealing company does not sell the land but rather builds buildings on it and then invests in it, this does not negate what the authority claims regarding the land being for trading, as it has not provided evidence for its defenses. Moreover, it previously accepted the deduction of the taxpayer's land and did not contest it on the grounds of the company's activity, which leads to the acceptance of the taxpayer's appeal.

Document

- Paragraph (1) of item (Second) of article (4) of The executive regulation for collecting zakat issued by the decision of His Excellency the Minister of Finance number (2082) dated 01/06/1438 AH.

Parties Defenses:

Appellant's

- 1- The taxpayer argued that the land in dispute was classified as a current asset by the external auditor according to the requirements of international financial reporting standards.
- 2- The taxpayer objected to the authority's classification of the land as inventory, clarifying that the company's business activity does not include buying and selling land.



- 3- The taxpayer argued that the purpose of purchasing the land is not for trading, but to build buildings on it for long-term investment in sale and rent.

### The Committee's response to the defenses:



Based on paragraph number (1) of item (Second) of article four of the executive regulation for collecting zakat issued by ministerial decision number (2082) dated 1/6/1438 AH on: "The following shall be deducted from the zakat base: 1- Fixed assets, including the following: Net value of fixed assets (capital assets) and any payments for purchasing fixed assets, and the value of spare parts not intended for sale, provided that these assets are owned by the taxpayer – unless there is an obstacle preventing the transfer of ownership – and that they are used in the activity." Based on the above, and upon reviewing the case file and the documents it contains, it is clear from the taxpayer's financial statements and the related data and notes that there is no movement on the disputed item, and this does not negate the authority's argument that the item was classified within the financial statements as it did not take into account its nature and essence, as the company's activity is to buy land, build buildings on it, and invest in it. Therefore, it is clear that the appealing company does not sell the land but rather builds buildings on it and then invests in it. This does not negate what the authority claims regarding the land being for trading, as it has not provided evidence for its defenses. Moreover, it previously accepted the deduction of the taxpayer's land and did not contest it on the grounds of the company's activity, which leads the division to accept the taxpayer's appeal and cancel the decision of the division regarding this item.

### Decision

1- Accepting the appeal procedurally from the taxpayer Company ... , commercial registration (...), unique number (...) Against the decision of the first circuit to rule on violations and disputes regarding income tax in Jeddah Governorate with number (IZJ-2022-2585) issued in case number (Z-2021-62623) related to the zakat assessment for the year 2015.

2- On the Merits:

Acceptance of the taxpayer's appeal and cancellation of the decision of the circuit regarding item (advance payment for purchasing land for the year 2015).



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR-2024-175165

Case No. Z-2023-175165

Keywords:

Zakat – Elements of addition to the zakat base – Capital reduction – Acceptance of the taxpayer's appeal.

Summary:

The taxpayer's objection to the decision of the second circuit to rule on violations and disputes regarding income tax in Riyadh City number (ISR-2022-1896). The taxpayer's objection lies in item (capital reduction) as he claims that the company has completed all the required legal procedures for capital reduction. The Appellate Committee established that the amended commercial register for the taxpayer's capital reduction was issued on 27/12/2018, and the reduction was recorded in the journal entry on 31/12/2018, which is after the lunar year has passed on the capital amounting to (10,000,000) riyals, indicating that it remained in the company's liability until the end of the year. Regarding the taxpayer's request to return the amount excluded from the net book value recorded in the capital reduction entry amounting to (6,055,567) riyals to the negative zakat base elements, it is clear that the taxpayer's claim is justifiable as the fixed assets were in the company's liability when calculating the due zakat and are considered deductible items. Consequently, the taxpayer's appeal is accepted partially, and the decision of the circuit regarding this item is amended.

Document

- Paragraph (1) of Article (4) of The executive regulation for collecting zakat issued by the decision of His Excellency the Minister of Finance number (2082) dated 01/06/1438 AH.

Parties Defenses:

Appellant's

- 1- The taxpayer argued that a copy of the partners' decision to reduce the capital was sent to the authority, and the amended articles of incorporation were issued on 20/12/2018, and the commercial register on 27/12/2018.



## The Committee's response to the defenses:



Based on item (First/1) of Article (4) of the executive regulation for collecting zakat issued by the ministerial decision No. (2082) dated 1/06/1438 AH which stated that: "The zakat base consists of all the taxpayer's assets subject to zakat, including:" 1- The capital that has completed a lunar year, as well as any increase in it even if it has not completed a lunar year if the source of this increase is one of the elements of equity or was financing for an asset from the deductible zakat base. Based on paragraph (Second/1) of Article (4) of the executive regulation for zakat collection issued by ministerial decision number (2082) dated 1/06/1438 AH, which stated that: "The following shall be deducted from the zakat base:" 1- Fixed assets, including the following: Net value of fixed assets (capital assets) and any payments for purchasing fixed assets, and the value of spare parts not intended for sale, provided that these assets are owned by the taxpayer – unless there is an obstacle preventing the transfer of ownership – and that they are used in the activity." Based on the above, and since the zakat base consists of the capital that has completed a lunar year, and referring to the documents attached to the case file, it is clear that the amended commercial register for the taxpayer's capital reduction was issued on 27/12/2018, and the reduction was recorded in the journal entry on 31/12/2018, which is after the lunar year has passed on the capital amounting to (10,000,000) riyals, indicating that it remained in the company's liability until the end of the year. Regarding the taxpayer's request to return the amount excluded from the net book value recorded in the capital reduction entry amounting to (6,055,567) riyals to the negative zakat base elements, it is clear that the taxpayer's claim is justifiable as the fixed assets were in the company's liability when calculating the due zakat and are considered deductible items according to paragraph (Second/1) of Article (4) above, which leads the circuit to accept the taxpayer's appeal partially and amend the decision of the circuit regarding this item.

### Decision:

1- Acceptance of the appeal procedurally from the taxpayer/Company ..., commercial register (...), distinctive number (...). Against the decision of the second circuit to rule on violations and disputes regarding income tax in Riyadh City with number (ISR-2022-1896) issued in case number (Z-2021-71774) related to the zakat assessment for the year 2018.

2- On the Merits:

Acceptance of the taxpayer's appeal partially and amendment of the decision of the circuit regarding item (capital reduction).



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR-20241-74189

Case No. Z-2023-174189

Keywords:

Zakat – Elements of addition to the zakat base – Owner's current account – Acceptance of the taxpayer's appeal.

Summary:

The taxpayer's objection to the decision of the second circuit to rule on violations and disputes regarding income tax in Riyadh number (ISR-2022-1886), where his appeal lies on item (import profits) for the authority's adjustment by increasing the costs of Chinese loaders by (15%), and item (owner's current account) for providing detailed movement. The Appellate Committee established by reviewing the authority's response memorandum that the authority's claim that it could not verify the existence of a balance at the beginning of the period for the partner's current account does not affect this, as the taxpayer stated in his appeal that the absence of a balance at the beginning of the period in the financial statements is due to the fact that the first financial statements of the corporation approved by a legal accountant were the financial statements for the year 2018; therefore, the legal accountant cannot present the opening balances if the financial statements for the year 2017 were not audited, and upon reviewing the attached account statement, it is detailed and the ending balance included is consistent with the audited financial statements for the year 2018. This means; accepting the taxpayer's appeal and canceling the decision of the adjudicating circuit.

Document

- Article (2,6) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.
- Paragraph (1) of Article (4/2) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.
- Paragraph (b) of Article (13) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.



## Parties Defenses:

### Appellant's (Taxpayer)

1. The taxpayer argued that the detailed movement was submitted, but the authority based its decision on doubt and suspicion, assuming that the opening balance in the submitted current account statement was incorrect because the opening balance was not included in the approved financial statements for the year 2018.

### The Committee's response to the defenses:

The taxpayer's appeal lies in presenting the detailed movement, and based on paragraph (2) of item (First) of Article (4) of the executive regulations for the collection of Zakat issued by Ministerial Decision No. (2082) dated 1/6/1438 AH, which stated that: "The Zakat base consists of all the taxpayer's assets subject to Zakat, including: 2- The current credit account of the owner or partner at the beginning or end of the year, whichever is lower, as well as the increase in the current account if it originates from equity or was used to finance an asset from the assets of the property." Since the partner's current account is one of the components of the Zakat base and is added to the Zakat base if a year has passed on it or if it originates from equity or was used to finance the assets deducted from the Zakat base, and since the dispute over this item is a documentary dispute, the committee found that the taxpayer attached the audited financial statements for the year 2018 and attached the statement of account for the partner's current account (...). For the period from 1/1/2018 to 31/12/2018, which shows the opening balance, closing balance, and debit and credit movements during the year. Upon reviewing the authority's response memorandum, it does not affect what the authority claimed that it could not verify the existence of an opening balance for the partner's current account, as the taxpayer stated in his appeal that the absence of an opening balance in the financial statements is due to the fact that the first financial statements of the corporation approved by a certified accountant were the financial statements for the year 2018; therefore, the certified accountant cannot present opening balances if the financial statements for the year 2017 were not audited. Upon reviewing the attached statement of account, and since it is detailed and the closing balance listed in it matches the audited financial statements for the year 2018, the committee concludes to accept the taxpayer's appeal by adding the minimum limit, which is the opening balance amounting to (592,713.95) riyals, and canceling the decision of the division regarding this item.

### Decision:

- 1- Accepting the appeal procedurally from the taxpayer/ group... Commercial registration number (...), unique number (...), against the decision of the second division regarding violations and disputes of income



tax in Riyadh with number (ISR-2022-1886) issued in case number (Z -2021-39218) related to the Zakat assessment for the year 2018.

2- Objectively:

1- Accepting the taxpayer's appeal and canceling the decision of the division regarding item (profits from imports).

2- Accepting the taxpayer's appeal and canceling the decision of the division regarding item (owner's current account).

3- Rejecting the taxpayer's appeal and upholding the decision of the division regarding item (profit distribution).



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR-2024-178305

Case No. 178305-2023-Z

Keywords:

Zakat – Elements of addition to the Zakat base – Partners' current account – Accepting the taxpayer's appeal

Summary:

The taxpayer's objection to the decision of the third division regarding violations and disputes of income tax in Riyadh number (IFR-2022-6699), where his appeal lies on item (real estate investments for the year 2016) for presenting documents confirming that the real estate investment was excluded based on a royal order represented in returning the property to state ownership, and item (the partner's current account for the year 2017) in that the company did not receive any financing to enable it to complete the acquisition of those real estate investments. And since it has been established to the Appellate Committee that the taxpayer's financial statements at the end of the year do not contain investment properties or sources of financing for them, and that the settlement of profit distributions was accounting and not actual, aimed at disposing of assets due to the invalidity of the ownership deed. This means; accepting the taxpayer's appeal and canceling the decision of the adjudicating circuit.

Document

- Paragraph (1, 2) of Article (4) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

Parties Defenses:

Appellant's

- 1- The taxpayer argued that the company did not receive any financing to complete the acquisition of real estate investments.
- 2- The taxpayer argued that the acquisition was made through the contribution of one of the partners without any external financing.



## The Committee's response to the defenses:



Based on paragraph (2) of item (First) of Article (4) of the executive regulations for the collection of Zakat issued by Ministerial Decision No. (2082) dated 1/6/1438 AH, which stated that: "The Zakat base consists of all the taxpayer's assets subject to Zakat, including: 2- The current credit account of the owner or partner at the beginning or end of the year, whichever is lower, as well as the increase in the current account if it originates from equity or was used to finance an asset from the assets of the property.". Based on paragraph (A) of Article (4) of the executive regulations for the collection of zakat issued by Ministerial Decision No. (2082) dated 1/6/1438 AH, which states: "In the case of including the taxpayer's declaration a credit current account and another debit account, the difference between them is taken, and if a credit current account appears for one of the partners and a debit current account for another partner, no settlement will be made between them....". Based on the above, and upon reviewing the circuit, it is clear that the authority has added the partner's current balance at the beginning of the period minus the debtor without considering the settlement resulting from the disposal of investment properties. Upon reviewing the authority's response memorandum, it is evident that it acknowledges that the balance of the partners' current accounts against the investment properties, which were not included in the taxpayer's negative base because they left the company and are no longer among the taxpayer's assets. Upon reviewing the documents attached by the taxpayer, it is clear that there is a royal decree letter canceling the land deed and invalidating the sale. Accordingly, the company excluded the lands and closed the partner's current account, which was against the financing of that asset that arose at the time of acquisition of the property in 2010. Upon reviewing the taxpayer's procedure, it closed the partner's current account and the profit distributions related to the partner to settle them with the value of the excluded asset so that the partner's current account equals the value of the excluded investment properties. The partner's current account arose as a result of financing the investment properties, and its settlement is a result of the invalidation of the land contract and its exclusion, which means settling the source of financing the property. Therefore, the authority's action of not accepting the settlement entry to close the partner's current account due to the disposal of the asset, as it occurred after the lunar year, is unfounded, as the essence of the transaction occurred during the year, and the transaction resulted in the exclusion of investment properties. Therefore, based on the accounting equation that relies on matching the debit side with the credit side, the result is that the partner's current account should not be added, and the settlement that occurred on it should be taken into account, as the financial statements at the end of the year do not contain investment properties and there is no source of financing. Moreover, this does not negate the authority's argument that the entry for the settlement of profit distributions occurred after the lunar year, as the entry was made during the taxpayer's financial year, and it is not actual profit distributions but rather a settlement resulting from the disposal of assets due to the invalidation of their deed. If the authority sees that the partner's current account, which was involved in financing, should be added since the entry was made after the lunar year, the investment properties should



be included in the taxpayer's negative base since the compound entry resulted in the exclusion of assets against the reduction of the partner's current account that financed them. This leads the circuit to accept the taxpayer's appeal and cancel the decision of the division regarding this item.

### Decision:

1- Acceptance of the appeal procedurally, submitted by / ... Company The holding company Commercial Registration No. (...), Unique No. (...), against the decision of the third division regarding violations and disputes of income tax in Riyadh with number (IFR-2022-6699) issued in case No

(Z- 2021- 89355) related to the zakat assessment for the years 2016 and 2017.

2- Objectively:

1- Accept the taxpayer's appeal and cancel the decision of the division regarding item (real estate investments for the year 2016).

2- Accept the taxpayer's appeal and cancel the decision of the division regarding item (partner's current account for the year 2017).

3- Reject the taxpayer's appeal and uphold the decision of the division regarding item (retained earnings for the year 2017).



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR -2024-136156

Case No. Z-2022-136156

Keywords:

Zakat – Elements of addition to the zakat base – Additional capital – Accept the taxpayer's appeal

Summary:

The taxpayer's objection to the decision of the first division regarding violations and disputes of income tax in Jeddah with number (IZJ- 2022- 910), where his appeal regarding item (investments available for sale for the year 2014) is that the investments are the value of shares of Bank ... which is a bank registered with the authority and has previously been subject to zakat within its zakat declarations, and item (additional capital for the year 2014) is that the condition of the lunar year has not been met as the partners in the company during 2014 withdrew part of the beginning of the year balance in cash from the additional capital. It has been established to the Appellate Committee that the zakat declaration related to the movement of additional capital is that the amount that has completed the lunar year is (89,964,053) riyals, which is the same amount that the taxpayer pays. This means; accepting the taxpayer's appeal and canceling the decision of the adjudicating circuit.

Document

- Paragraph (1) of article (4) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

Parties Defenses:

Appellant's

- 1- The taxpayer argues that based on what the company's accounting records have shown, the condition of the lunar year has not been met.



### The Committee's response to the defenses:

The taxpayer's appeal lies in the fact that the condition of the lunar year has not been met, as the partners in the company during 2014 withdrew part of the beginning of the year balance in cash from the additional capital, and based on item (First/1) of Article (4) of the executive regulations for the collection of zakat issued by Ministerial Decision No. (2082) dated 1/06/1438 AH, which states: "The zakat base consists of all the taxpayer's assets subject to zakat, including:" 1- The capital that has completed the lunar year, as well as the increase in it even if it has not completed the lunar year if the source of this increase is one of the elements of equity or was financing for an asset from the assets deducted from the zakat base," and based on the above, it is clear from the above regulatory texts that the increase in capital is added to the zakat base when the lunar year has completed on it or if its source is from equity items or used in financing one of the assets deducted from the zakat base. Upon reviewing the documents attached to the case file, the circuit found that the dispute lies in the amount added by the authority for the completion of the lunar year, as the taxpayer claims that part of the amount has not completed the lunar year. Upon reviewing the submitted documents, it was found that the zakat declaration included Table No. (Z) related to the movement of additional capital, and it became clear to the circuit that the amount that has completed the lunar year is (89,964,053) riyals, which is the same amount that the taxpayer pays, which leads the circuit to accept the taxpayer's appeal and cancel the decision of the division regarding this item.

### Decision:

- 1- Acceptance of the appeal procedurally, submitted by / ... Company Commercial Registration No. (...), Unique No. (...), against the decision of the first division regarding violations and disputes of income tax in Jeddah with number (IZJ -2022-910) issued in case No. (Z- 2021- 34984) related to the zakat assessment for the year 2014.
- 2- Objectively:
  - 1- Accept the taxpayer's appeal and cancel the decision of the division regarding item (additional capital for the year 2014).
  - 2- Accept the taxpayer's appeal and cancel the decision of the division regarding item (real estate investments – Tower .. for the year 2014).
  - 3- Reject the taxpayer's appeal and uphold the decision of the division regarding item (real estate investments under construction and development (Tower ...) for the year 2014).
  - 4- The taxpayer's appeal is rejected, and the decision of the adjudication committee regarding the item (investments in investment funds (fund...)) is upheld. for the year 2014).
  - 5- The taxpayer's appeal is accepted, and the decision of the adjudication committee regarding the item (available-for-sale investments for the year 2014) is canceled.



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR-2024-169229

Case No. Z-2023-169229

Keywords:

Zakat – Elements of addition to the zakat base – Additional contributions to capital – Acceptance of the taxpayer's appeal.

Summary:

The taxpayer's objection to the decision of the third circuit regarding violations and disputes of income tax in Riyadh number (ITR-2022-6121), where the taxpayer's appeal is based on the addition of the item (Additional contributions to capital) to the zakat base. The Appellate Committee found that there was a duplication in adding the item of additional contributions to capital to the zakat base, once among other additions and another time under the item required from related parties, thus preventing zakat duplication. Consequently, the taxpayer's appeal is accepted, and the decision of the adjudication committee regarding this item is canceled.

Document

- Paragraph (2) of article (4) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

Parties Defenses:

Appellant's

- 1- The taxpayer argued that the equity financing was not fully used to finance the assets of the entity, but was distributed in advance payments to suppliers and to cover operational and administrative expenses, with the portion used to finance the entity's assets included in the elements of the zakat base.



## The Committee's response to the defenses:



Where paragraph number (2) of item (First) of article (fourth) of the executive regulation for zakat collection issued by ministerial decision number (2082) dated 1/6/1438 AH states that: "The Zakat base consists of all the taxpayer's assets subject to Zakat, including: 2- The credit current account of the owner or partner at the beginning or end of the year, whichever is lower, as well as the increase in the current account if it originates from equity, or was financing for an asset of the entity." Based on the above, and upon reviewing the case file; it became clear that the dispute between the two parties lies in adding the additional contributions to capital to the zakat base, where the authority indicated that it added related parties with an amount of (139,002,648) riyals according to the taxpayer's declaration in addition to a balance of additional contributions to capital of (24,950,000) riyals for the year, which is an independent item from the account of related parties, while the taxpayer appealed the adjudication decision and indicated that the authority added an amount of (24,950,000) riyals to other additions and objects to that as the item was previously added under the account required from related parties, therefore; and since the authority indicated that it added the required amount from related parties of (139,002,648) riyals according to the taxpayer's declaration, and since the taxpayer clarified in his objection submitted on 27/3/2023 that the amount shown in the zakat declaration for the year 2015 includes the following: An amount of (47,073,500) riyals represents the opening balance of liabilities to related parties, and an amount of (24,950,000) riyals represents additional contributions to capital, and an amount of (66,979,148) riyals represents additions during the year from the account of related parties for the purpose of financing the assets of the entity, therefore; and since it was found that there is duplication in adding the item of additional contributions to capital to the zakat base once among other additions and another time under the item required from related parties, thus; to prevent zakat duplication, the committee concludes to accept the taxpayer's appeal and cancel the decision of the adjudication committee regarding this item.

## Decision:

1-Acceptance of the appeal procedurally, submitted by / ... Company , commercial registration (...), unique number (...) Against the decision of the third circuit regarding violations and disputes of income tax in Riyadh number (ITR-2022-6121) issued in case number (Z-2021-48786) related to the zakat assessment for the year 2015.

2- On the Merits:

Acceptance of the taxpayer's appeal and cancellation of the decision of the adjudication committee regarding the item (Additional contributions to capital - others -), according to the grounds and justifications stated in this decision.



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR-2024-170622

Case No. Z-2023-170622

Keywords:

Zakat – Elements of addition to the zakat base – Provision for doubtful debts – Acceptance of the taxpayer's appeal.

Summary:

The objection of the Zakat, Tax and Customs Authority to the decision of the first circuit regarding violations and disputes of income tax in Jeddah number (IZJ-2022-2503), where its appeal is based on the item (Provision for doubtful debts for the year 2017) regarding the non-deduction of the provision for doubtful debts from the opening balance due to the lack of compliance with the legal conditions. The Appellate Committee found that the taxpayer provided a certificate from the legal accountant regarding bad debts for unrelated parties amounting to (4,868,855) riyals only, and regarding the amount of (4,524,579) riyals, it pertains to the provision for doubtful debts for related parties, which are non-deductible expenses. Consequently, the authority's appeal is accepted, and the decision of the adjudication committee is canceled.

Document

- Paragraph (2) of Article (6) of the Executive Regulations for Zakat Collection issued by Decision No. (2082) of the Minister of Finance on 2/6/1438H.
- Paragraph (3) of Article (5) of the Executive Regulations for Zakat Collection issued by Decision No. (2082) of the Minister of Finance on 2/6/1438H.
- Paragraph (6) of Article (4) of the Executive Regulations for Zakat Collection issued by Decision No. (2082) of the Minister of Finance on 2/6/1438H.



## Parties Defenses:

### Appellant's

- 1- The authority argued that the reason for the rejection of the deduction of the provision for doubtful debts from the zakat base for the year 2017 is that there is a discrepancy between the amount mentioned in the company's statements and the certificate of the legal accountant.
- 2- The authority argued that these bad debts relate to related parties and are non-deductible expenses.
- 3- The authority argued that the taxpayer did not provide the remaining documents supporting the write-off of the debts.

### The Committee's response to

Where its appeal lies in the failure to deduct the user of the doubtful debts from the opening balance due to the non-application of the regulatory conditions. Where paragraph (2) of Article (6) of the executive regulation for the collection of zakat issued by Ministerial Decision No. (2082) dated 1/6/1438 AH states that: "Expenses that the taxpayer cannot prove their expenditure with supporting documents or other evidential presumptions" as paragraph (3) of Article (5) of the same regulation states that "bad debts are considered expenses that can be deducted according to the following controls: A- It must have been previously declared among the taxpayer's revenues in the year the revenue is due. B- The bad debts must result from the activity being practiced. C- The taxpayer must provide a certificate from their legal accountant indicating the write-off of these debts from the books by a decision from the authorized person. D- The debts should not be owed to parties related to the taxpayer. E- The taxpayer's commitment to declare the debts as income whenever they are declared" as paragraph (9) of item (First) of Article (4) of the same regulation also states that "the zakat base consists of all the taxpayer's assets subject to zakat, including: 9- Provisions at the beginning of the year (excluding provisions for doubtful collections for banks) after deducting the user from them during the year" and based on the above, and by referring to the case file and the defenses and documents it contains, it appears that the taxpayer submitted a certificate from the legal accountant regarding the bad debts for unrelated parties amounting to (4,868,855) riyals only, and regarding the amount of (4,524,579) riyals, it pertains to the provision for doubtful debts for related parties, which are non-deductible expenses, thus leading the committee to accept the authority's appeal and cancel the decision of the division regarding this item.



## Decision:

1- Acceptance of the appeal procedurally from the appellant, the Zakat, Tax and Customs Authority against the decision of the first division regarding violations and disputes of income tax in Jeddah province with number (IZJ-2022-2503) issued in case number (Z-2021-80822) related to the zakat assessment for the years 2016, 2017.

2- On the Merits:

Acceptance of the authority's appeal and cancellation of the decision of the division regarding item (provision for doubtful debts for the year 2017).



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR -2024- 168279

Case No. Z-2023-168279

Keywords:

Zakat – Elements of addition to the zakat base – Trade creditors – Acceptance of the taxpayer's appeal

Summary:

The taxpayer's objection to the decision of the first division regarding violations and disputes of income tax in Dammam city number (IZD-2022-2428), where its appeal lies on item (local purchases declared among external purchases in the zakat declaration), and item (cost of materials cleared from customs under the name of the client/company...), and item (cost of materials cleared from customs under the name of the client/company ...) This is in order to clarify that it is not necessary for the cost of imports/materials according to the accounting records to match the reality of customs data, and item (exclusion of customs duties charged in excess for the year 2007) to clarify that the expenses of customs duties include according to the taxpayer's records the value of customs duties based on the customs statement, and item (creditors trade and notes payable, and item other creditors, and item amounts due to affiliated parties) according to the following grounds: The authority subjected the amounts that have completed a year, and since its procedure was based on an assumption and without reviewing the movement of the creditor account balances. And since it was established to the Appellate Committee that the taxpayer submitted the financial statements for the years in dispute and submitted the movement of balances (Excel) and provided a copy of the accounting system for the movement of related parties, where it became clear through it that the year has completed on trade creditors and notes payable amounting to (173,964) riyals, and other creditors amounting to (475,929) riyals, and the amount due to affiliated parties amounting to (88,203) riyals. The result of that; acceptance of the taxpayer's appeal partially and amending the decision of the division regarding item (trade creditors and notes payable, and item other creditors, and item amounts due to affiliated parties), and acceptance of the taxpayer's appeal and cancellation of the decision of the division regarding the other items.

Document

- Paragraph (1) of Article (5,4) of the executive regulation for the collection of zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.



## Parties Defenses:

### Appellant's

- 1- The taxpayer argued that zakat is not obligatory on assets not owned by the taxpayer.
- 2- The taxpayer argued that there is no element of complete ownership for those balances.

## The Committee's response to the defenses:

Where the fatwa issued with number (3077/2) dated 08/11/1426 AH stated: "The evidence for the obligation of zakat is general and includes all zakatable assets, and there is no valid evidence to exclude debts from that, because the creditor pays zakat on the money he owns which is owed by the debtor, while the debtor pays zakat on another money he owns and has in his possession and can dispose of, and there is a difference between the money in a person's hand and the money in his debt." And where paragraph (5) of the circular of the authority number (583/16/1432) dated 29/01/1432 AH related to the zakat treatment of creditor elements shown in the financial statements according to the provisions of the fatwa number (22665) dated 15/04/1434 AH stated: "All creditor elements shown in the financial statements are added to the zakat base whenever a year has passed on them and the conditions of the fatwa are met," and where paragraph (5) of item (First) of article (fourth) of the executive regulation for collecting zakat issued by ministerial decision number (2082) dated 01/06/1438 AH stated: "The zakat base consists of all the taxpayer's assets subject to zakat, including: 5- Government and commercial loans and other sources of financing such as creditors, promissory notes, and overdraft accounts owed by the taxpayer as follows: A- What remains of it in cash and has completed a year. B- What has been used to finance what is intended for acquisition. C- What is used in trade and a year has passed on it." Based on the above, commercial debts are considered one of the components of the zakat base, provided that a year has passed on them or they are used to finance the assets deducted from the zakat base. The taxpayer argues that zakat is not obligatory on assets not owned by the company and that this treatment leads to a reluctance to pay zakat, knowing that there is a difference between ordinary financial transactions and debts arising from loan agreements between the lender and the borrower, because the essence of the obligation and what it entails is the debtor's liability for the debt for benefiting from funds provided to him or remaining in his ownership, thus he must pay zakat on what he has at the end of the year, and the creditor's debt is a right in the debtor's liability, thus it is owned by him in the liability, and therefore the money has not been zakat-ed twice as claimed by the taxpayer, and this is not affected by the taxpayer's argument of the absence of complete ownership of those balances. Upon reviewing the documents of the case and the defenses contained therein, it is clear that the taxpayer submitted the financial statements for the years in dispute and provided the movement of balances (Excel) and submitted a copy of the accounting system for the movement of related parties, where it became clear that a year has passed on the commercial creditors and payment



papers amounting to (173,964) riyals, and other creditors amounting to (475,929) riyals, and the amount due to affiliated entities amounting to (88,203) riyals, which leads the committee to partially accept the taxpayer's appeal and amend the decision of the committee in this item.

### Decision:

1- Acceptance of the appeal procedurally from the taxpayer/ Company ..., commercial register (...), distinctive number (...) Against the decision of the first circuit for adjudicating income tax violations and disputes in Dammam with number (IZD-2022-2428) issued in case number (Z-2021-60512) related to the zakat assessment for the year 2007.

2- On the Merits:

1- Partially accept the taxpayer's appeal and amend the decision of the committee regarding the item (local purchases declared within external purchases in the zakat declaration).

2- Accept the taxpayer's appeal and cancel the decision of the committee regarding the item (cost of materials cleared from customs under the name of the client / company ...).

3- Accept the taxpayer's appeal and cancel the decision of the committee regarding the item (cost of materials cleared from customs under the name of the client / company ...).

4- Accept the taxpayer's appeal and cancel the decision of the committee regarding the item (cost of clearing materials from customs under the name of the client / company ...).

5- Accept the taxpayer's appeal and cancel the decision of the committee regarding the item (cost of materials cleared from customs through the company ...).

6- Reject the taxpayer's appeal and uphold the decision of the committee regarding the item (total cost of materials cleared from customs under the names of other clients).

7- Accept the taxpayer's appeal and cancel the decision of the committee regarding the item (exclusion of excess customs duties for the year 2007).

8- Partially accept the taxpayer's appeal and amend the decision of the committee regarding the item (commercial creditors and payment papers, and the item other creditors, and the item amounts due to affiliated entities).



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR-2024-170447

Case No. ZI-170447-2023

Keywords:

Zakat– Elements of addition to the zakat base– Balances of shareholders that have passed a year– Partial acceptance of the taxpayer's appeal

Summary:

The taxpayer's objection to the decision of the first circuit for adjudicating income tax violations and disputes in Jeddah with number (IZJ-2022-2544), where his appeal is based on the item (Balances Shareholders that have passed a year) as they are merely management of real estate participations for others in exchange for commissions that benefit the taxpayer, thus they are not owned by him, and it was supposed not to record them or to exclude them. And where the Appellate Committee established that the taxpayer acknowledges that the item consists of substantial accounting errors that were later corrected in the financial statements for the following year, and since the taxpayer did not provide detailed movement proving the absence of a year passing. The implication is that the taxpayer's appeal is accepted in part.

Document

- Zakat, Tax and Customs Committees Regulations issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Paragraph (5) of Article (4) of The executive regulation for the collection of zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

Parties Defenses:

Appellant's

- 1- The taxpayer argued that item (11907) Other Additions amounting to (82,298,367) riyals are merely management of real estate participations for others in exchange for commissions that benefit him, and they are not his property, and it was supposed not to record them or to exclude



them, which he did by correcting substantial accounting errors later in his approved financial statements for the year 2017 and adjusting the comparison year for 2016.

### The Committee's response to the defenses:



The first paragraph (5) of Article (4) of the executive regulation for the collection of zakat issued by Ministerial Decision No. (2082) dated 01/06/1438 AH states that: "The zakat base consists of all the taxpayer's assets subject to zakat, including:..5- government and commercial loans and other financing sources such as creditors, promissory notes, and overdraft accounts owed by the taxpayer as follows:" A- What remains of it in cash and has completed a year. B- What has been used to finance what is intended for acquisition. C- What is used in trade and a year has passed on it." Based on the above, commercial accounts payable are considered one of the components of the zakat base, provided that a year has passed on them or they are used to finance the assets deducted from the zakat base. Upon reviewing the documents submitted in the case file, it is clear that the taxpayer acknowledges that the item Other Additions is a substantial accounting error that was later corrected in the financial statements for the year 2017 and adjusted the comparison year for 2016. Upon reviewing the financial statements submitted in the taxpayer's appeal, it is evident that based on the adjustment of the legal auditor (general clarification in the financial statements), the other payable balances before the adjustment show an amount of (1,273,459,026) riyals and the adjustment is (1,239,475,565) riyals, and the balance of the item after the adjustment, which appears at the end of 2016, is (33,983,461) riyals. Since the taxpayer did not provide detailed movement proving that a year has not passed on the above amount, the committee concludes to accept the taxpayer's appeal in part and amend the decision of the committee regarding this item by adding the balance after the adjustment to the zakat base.

### Decision:

1- Acceptance of the appeal procedurally from the taxpayer/ (.....), commercial registration (.....), unique number (.....) Against The decision of the first circuit for adjudicating income tax violations and disputes in Jeddah with number (IZJ-2022-2544) issued in case number (ZI-81325-2021) related to the zakat assessment for the year 2016.

2- On the Merits:

Acceptance of the taxpayer's appeal in part and amending the decision of the committee regarding item (Shareholders' balances that have passed a year for the year 2016), according to the grounds and justifications mentioned in this decision.

Rejection of the taxpayer's appeal and upholding the decision of the committee regarding item (Addition of provisions amounting to 5,547,561 riyals for the year 2016), according to the grounds and justifications mentioned in this decision.



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR-2024-181096

Case No. ZI-2023-181096

Keywords:

Zakat – Elements of addition to the zakat base – Provision for potential fines – Acceptance of the taxpayer's appeal – Acceptance of the authority's appeal

Summary:

The taxpayer and the Zakat, Tax and Customs Authority's objection to the decision of the first circuit for adjudicating income tax violations and disputes in Dammam No. (IZD-2022-2786) where the authority's appeal on item ) Government accounts receivable( is based on the non-acceptance of deducting government accounts receivable from the zakat base due to the taxpayer's failure to claim from the authority, and the taxpayer's appeal on item (Provision for potential fines) is that the company does not agree to add other current liabilities as the reason for the authority's previous rejection of taking the balance that has passed a year relates to the failure of the appellant to provide detailed movement matching the financial statements. It has been established to the Appellate Committee regarding the authority's appeal that the burden of proof for the lack of negligence in claiming from the authority lies with the taxpayer, and he has not done so. Regarding the taxpayer's appeal, it has been established that the credit balance represents a provision for potential fines added during the year and that the opening balance was settled during the period of not having a year pass. The implication is that the authority's appeal is accepted, and the taxpayer's appeal is accepted regarding the item of provision for potential fines.

Document

- Regulations for the operation of Zakat, tax, and customs committees issued by Royal Order No. (25711) dated 08/04/1445 AH.
- Paragraph (First/5) of Article (4) of the executive regulation for the collection of zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.
- Paragraph (3) of Article (20) of The executive regulation for the collection of zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.



## Parties Defenses:

### Appellant's

- 1- The taxpayer argued that the statements match the financial statements and show the beginning of the year balance, movement, and end of the year, indicating that a year has not passed.

## The Committee's response to the defenses:

Based on paragraph (First/5) of Article (4) of the executive regulation for the collection of zakat issued by Ministerial Decision No. (2082) dated 1/6/1438 AH, it states that: "The zakat base consists of all the taxpayer's assets subject to zakat, including:" 5- Government and commercial loans and other sources of financing such as creditors, promissory notes, and overdraft accounts owed by the taxpayer as follows: A- What remains of it in cash and has completed a year. B- What has been used to finance what is intended for acquisition. C- What is used in trade and a year has passed on it." And based on paragraph (3) of Article (20) of the executive regulation for the collection of zakat issued by Ministerial Decision No. (2082) dated 01/06/1438 AH, it states that: "The burden of proving the accuracy of what is stated in the taxpayer's zakat declaration regarding items and any other data lies with the taxpayer, and if he is unable to prove the accuracy of what is stated in his declaration, the authority may not approve the item that is not proven accurate by the taxpayer or may impose an estimated assessment according to the authority's perspective in light of the circumstances and facts related to the case and the information available to it." Based on the above, the committee found that the reason for the authority's previous rejection of taking the balance that has passed a year relates to the failure of the appellant to provide detailed movement matching the financial statements, and upon reviewing the submitted movement, it is clear that the item in dispute represents a provision for potential fines and included a settlement amount of (146,830,000) riyals during the year and a credit balance was added during the year (234,358) riyals, and since the dispute between the parties revolves around the failure to provide an accounting extract for the detailed movement of the item and since the appellant provided the accounting extract, and upon the committee's study of the attached document, it is clear that the credit balance represents a provision for potential fines added during the year and that the opening balance was settled during the period of not having a year pass on another balance (provision for potential fines), which leads the committee to accept the taxpayer's appeal and cancel the decision of the committee regarding this item.

## Decision:

- 1- Acceptance of the appeal procedurally from its submitter The taxpayer/ (.....) Commercial registration number (.....), unique number (.....), and the Zakat, Tax and Customs Authority, against The decision of the



first circuit regarding violations and disputes of income tax in Dammam with number (IZD-2022-2786) issued in case number (Z-95104-2022) related to the Zakat assessment for the year 2016.

2- On the Merits:

1- Acceptance of the authority's appeal and cancellation of the decision of the circuit regarding the item (government receivables).

2- Rejection of the taxpayer's appeal and upholding the decision of the circuit regarding the item (related parties).

3- Regarding the taxpayer's appeal on the item (other current liabilities):

A- Acceptance of the taxpayer's appeal and cancellation of the decision of the circuit regarding the item (salaries and wages due).

B- Rejection of the taxpayer's appeal and upholding the decision of the circuit regarding the item (commissions due).

C- Acceptance of the taxpayer's appeal and cancellation of the decision of the circuit regarding the item (other (provision for potential penalty)).

4- Acceptance of the taxpayer's appeal partially and amending the decision of the circuit regarding the item (accounts payable).

This decision is considered final according to the provisions of Articles 47 and 48 of the rules of operation of the committees for adjudicating tax violations and disputes.



Apeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR -187888-2024

Case No. Z-2023-187888

Keywords:

Zakat – Elements of addition to the Zakat base – Adding the suppliers' balance to the base – Acceptance of the taxpayer's appeal

Summary:

The taxpayer's objection to the decision of the third circuit regarding violations and disputes of income tax in Riyadh number (ITR-2023-92822) where his appeal lies on the item (suppliers for the year 2019) as he attached the analytical statement of suppliers showing that the amount was fully paid during the year 2019, while the authority added the suppliers' balance to the Zakat base within the amount deducted from the Zakat base of (10,308,390) Riyals, and it was established that the dispute was documentary and the decision was issued rejecting the plaintiff's objection for not submitting the financial statements for the year 2019. And it was established to the Appellate Committee that the taxpayer attached confirmation letters from the company (...) For settling the opening balance of (105,869.11) Riyals, and also a confirmation letter from the company (...) For settling the opening balance of (214,808.63) Riyals as a letter was submitted from the company (...) For settling the opening balance of (215017) Riyals. The implication of this; acceptance of the taxpayer's appeal partially and amending the decision of the circuit.

Document:

- Paragraph (C) of Article (4/3) from The executive regulation for Zakat collection issued by the decision of His Excellency the Minister of Finance number (2216) dated 07/07/1440 AH.
- Article (5) from The executive regulation for Zakat collection issued by the decision of His Excellency the Minister of Finance number (2216) dated 07/07/1440 AH.



## Parties Defenses:

### Appellant's

- 1- The taxpayer argued that the debt movement was processed incorrectly as the opening balance (11,668,936) was added and the amount paid was shown as (174,103) and this number is incorrect as it considered that the difference between the opening balance and the closing balance is the amount paid and this processing is incorrect as the amount paid is (51,405,907) Riyals.

## The Committee's response to the defenses:

Based on paragraph (c/3) of Article (4) of the executive regulations governing the collection of zakat issued by number (2216) dated 07/07/1440 AH, which states that: "The zakat base for the taxpayer who keeps commercial books consists of all his zakat-liable assets, including the following: 3- The debts owed by the taxpayer classified as long-term and similar components of the zakat base, such as government financing, commercial financing, creditors, promissory notes, overdraft accounts, and loans from owners or partners (including their current accounts), provided that the following is considered: A- If the debts owed by the taxpayer or other sources of financing have a duration of three hundred and fifty-four (354) days or more overlapping during the zakat year and the following year, they are added to the zakat base according to the number of days of each zakat year. B- The zakat year for debts does not cease by renewing or rescheduling them with the same creditor or by replacing these debts with other debts or sources of financing that finance what these debts were financing. C- The total amount added from what is mentioned in this paragraph should not exceed the total amount deducted from the base according to Article (5) of the regulations," and based on the above, and since the taxpayer claims that he attached the analytical statement of suppliers showing that the above-mentioned amount was fully paid during the year 2019, while the authority added the suppliers' balance to the zakat base within the limits deducted from the zakat base amounting to (10,308,390) riyals, and since the dispute is documentary and a decision was issued to reject the plaintiff's objection for not submitting the financial statements for the year 2019, and after the circuit reviewed the attached documents, it became clear to it that the taxpayer attached confirmation letters from the company (...) By settling the opening balance of the period amounting to (105,869.11) riyals, and also a confirmation letter from the company (...) For settling the opening balance of (214,808.63) Riyals as a letter was submitted from the company (...) By settling the opening balance of the period amounting to (215,017) riyals, which leads the circuit to partially accept the taxpayer's appeal and amend the decision of the adjudication circuit regarding this item.



## Decision:

1- Accepting the appeal procedurally from the taxpayer/company... Commercial registration number (...), unique number (...), against the decision of the third circuit for adjudicating violations and disputes of income tax in Riyadh with number (ITR-2023-92822) issued in case number (2022-92822-Z) related to the zakat assessment for the year 2019.

2- On the Merits:

1- Rejecting the taxpayer's appeal and upholding the decision of the adjudication circuit regarding item (Clients with advance payments for the year 2019).

2- Partially accepting the taxpayer's appeal and amending the decision of the adjudication circuit regarding item (Suppliers for the year 2019).



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR-2024-196733

Case No. Z-2023-169733

Keywords:

Zakat – Elements of addition to the zakat base – Loan from a partner – Accepting the authority's appeal

Summary:

The objection of the Zakat, Tax and Customs Authority to the decision of the first circuit for adjudicating violations and disputes of income tax in Riyadh with number (IFR-2023-95809) where its appeal lies on item (Adding the component of end-of-service benefits) for adding the component of end-of-service benefits to net profit, and item (bank guarantee for additional zakat), as this item is a regulatory procedure, and item (Loan from a partner) for adding the item to the zakat base. And since it has been established to the Appellate Committee that the loan from the partner has been reclassified as equity and not as liabilities on the taxpayer, it becomes clear that the taxpayer's request to add the item according to the deductions is incorrect. Consequently, the authority's appeal is accepted, and the decision of the adjudication committee is canceled.

Document:

- Article (3,4,6) of The executive regulation for Zakat collection issued by the decision of His Excellency the Minister of Finance number (2216) dated 07/07/1440 AH.
- Article (4) of Article (9/5) of The executive regulation for Zakat collection issued by the decision of His Excellency the Minister of Finance number (2216) dated 07/07/1440 AH.

Parties Defenses:

Appellant's

- 1- The authority argued that it added the item of loan from the partner to the zakat base due to the reclassification of the debt from a loan to a contribution from a partner according to the clarification in the financial statements for the year 2019 and it was added to equity and not compared to the deducted elements.



### The Committee's response to the defenses:

Based on paragraph (3) of Article (4) of the executive regulations for the collection of zakat issued by ministerial decision number (2216) dated 7/7/1440 AH, which stated: "The debts owed by the taxpayer classified as long-term and similar components of the zakat base, such as: Government financing, commercial financing, creditors, promissory notes, overdraft accounts, and loans from owners or partners (including their current accounts), provided that the following is considered: A- If the debts owed by the taxpayer or other sources of funding have a duration of three hundred and fifty-four (354) days or more overlapping during the zakat year and the following year, they are added to the zakat base according to the number of days for each zakat year. B- The zakat year for debts does not cease with their renewal or rescheduling with the same creditor, or by replacing these debts with other debts or sources of funding that finance what these debts were financing. C- The total amount added from what is mentioned in this paragraph shall not exceed the total amount deducted from the base according to Article (5) of the regulation. Based on the above, and upon reviewing the case file and the appeal of the authority, it is clear that it attached a copy of the financial statements clarification (14) which shows that the partner decided to convert a loan from a partner into a contribution from a partner, as it is clear from the clarification that it was the partner who decided and not as claimed that this loan was reclassified in accordance with the presentation and disclosure requirements according to auditing standards (specifically standard number 9 of the International Financial Reporting Standards) which require this loan to be presented within equity, and since the loan from the partner has been reclassified within equity and not within the liabilities of the taxpayer, it becomes clear that the taxpayer's request to add the item in proportion to the deductions is incorrect, which leads the authority to accept the appeal and cancel the decision of the division regarding this item.

### Decision:

1- Acceptance of the appeal procedurally from the appellant / Zakat, Tax and Customs Authority, against the decision of the first division regarding violations and disputes of income tax in Riyadh numbered (IFR-2023-95809) issued in case number (2022-95809-Z) related to the zakat assessment for the year 2019.

2- Objectively:

1- Acceptance of the authority's appeal and cancellation of the decision of the division regarding the item (addition of the component of end-of-service benefits).

2- Acceptance of the authority's appeal and cancellation of the decision of the division regarding the item (loan from a partner).



- 3- Acceptance of the abandonment of the dispute regarding the authority's appeal on the item (unrealized revenues).
- 4- Cancellation of the decision of the division regarding the item (loan subject to zakat in a subsidiary company (Company ...)).
- 5- Acceptance of the authority's appeal and cancellation of the decision of the division regarding the item (bank guarantee for additional zakat).



## Appeals Committee for Tax Violations and Disputes

### First Appellate Circuit for Income

#### Tax Violations and Disputes In Riyadh

Decision No. IR-2024-192434

Case No. Z-2023-192434

#### Keywords:

Zakat – Elements of addition to the zakat base – Short-term loans – Acceptance of the taxpayer's appeal.

#### Summary:

The taxpayer's objection to the decision of the first division regarding violations and disputes of income tax in Riyadh number (IFR-2023-98613), where his appeal is based on the item (creditor banks – bank facilities for the year 2017), and the item (short-term loans for the year 2017) claiming to have submitted supporting documents to verify the non-completion of the year. And it has been established to the Appellate Committee that the taxpayer submitted bank account statements to the bank (Investment and Riyadh) which clarified that every month or two the taxpayer requests financing of (5) million riyals and this loan is repaid on a date exceeding more than a month from the repayment date, and the authority has added it to the zakat base as it is revolving loans, which contradicts what was mentioned in the explanatory guide, and the principle is that short-term loans are not added to the zakat base. Consequently; the taxpayer's appeal is accepted and the decision of the division is canceled.

#### Document:

- Article (4/ 1) of paragraph of (5) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

#### Parties Defenses:

#### Appellant's

- 1- The taxpayer argued that the loan duration is less than a year and that the balance at the beginning of the year of the loans was fully repaid during the year, so it is not necessary to add these short-term loans to the zakat base under these circumstances.



## The Committee's response to the



Based on paragraph number (5) of item (First) of Article (4) of the executive regulation for the collection of zakat issued by Ministerial Decision No. (2082) dated 1/6/1438 AH which states: "The zakat base consists of all the taxpayer's assets subject to zakat, including: 5- government and commercial loans and other sources of funding such as creditors, promissory notes, and overdraft accounts that are owed by the taxpayer according to the following: A- What remains of it in cash and has completed a year. B- What has been used to finance what is intended for acquisition. J- What has been used in commercial transactions and has passed a year on it. Based on the above, and upon reviewing the explanatory guide for the zakat treatment of debts of taxpayers who maintain regular accounts item (1.2.2.2) short-term loans paragraph (2-b) which stated: (If the balance between the taxpayer and the lending entity reached during the zakat year to a value of (zero) for more than ten days, it shall not be added to the zakat base, and if the balance did not reach a value of (zero), or reached it for ten days or less; it shall be added to the zakat base at its value at the beginning or end of the year, whichever is lower) and paragraph (c) of the same article (when these descriptions are met; the upper limit for adding external funding sources is the total amount deducted according to paragraph (3/c) of Article four of the regulation, and upon reviewing the case file, it is clear that the taxpayer submitted bank account statements to the bank (Investment and Riyadh) which clarified that every month or two the taxpayer requests financing of (5) million riyals and this loan is repaid on a date exceeding more than a month from the repayment date, and the authority has added it to the zakat base as it is revolving loans, which contradicts what was mentioned in the explanatory guide stated above, and the principle is that short-term loans are not added to the zakat base, which leads the division to accept the taxpayer's appeal and cancel the decision of the division regarding this item.

### Decision:

1- Acceptance of the appeal procedurally from the taxpayer/ Company ..., commercial register (...), distinctive number (...) Against the decision of the first division regarding violations and disputes of income tax in Riyadh numbered (IFR-2023-98613) issued in case number (Z-98613-2022) related to the zakat assessment for the year 2017.

2- On the Merits:

1- Acceptance of the taxpayer's appeal and cancellation of the decision of the division regarding the item (short-term loans for the year 2017).

2- Acceptance of the taxpayer's appeal and cancellation of the decision of the Appeals Committee regarding item (Creditor Banks - Bank Facilities for the year 2017).



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR-2024-173926

Case No. Z-2023-173926

Keywords:

Zakat - Elements of addition to the zakat base - Long-term loans - Acceptance of the taxpayer's appeal

Summary:

The taxpayer's objection to the decision of the first circuit regarding violations and disputes of income tax in Jeddah Province number (IZJ-2022-2634), where his appeal lies on item (Difference in Purchases for the years 2014 and 2016) as he claims there are additional expenses related to materials, which are charged to the cost of external purchases, and item (Advance Payments (Advance Payments for the years 2017 and 2018) claiming that he has receivables from the same clients recorded as current assets in the balance sheet for the same year in dispute, and item (Long-term loans for the years 2017 and 2018 and loans and similar for the year 2018) as the Appeals Committee rejected his objection claiming that the authority added the balance of this item as a source of funding without requesting the necessary documents for that. It has been established to the Appeals Committee that the authority's viewpoint in adding the balances of those loans is that they were used to finance fixed assets, and upon reviewing the documents attached to the case file, it became clear that the authority did not provide evidence of its action regarding the use of those loans in financing fixed assets. Therefore, the taxpayer's appeal is accepted and the decision of the Appeals Committee is canceled.

Document:

- Article (4/1) of paragraph (1,5) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.
- Article (5/1) of paragraph (A) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.



## Parties Defenses:

### Appellant's

- 1- The taxpayer argued that the authority added the balance of the long-term loans item as a source of funding without requesting the necessary documents for that.

## The Committee's response to the defenses:

Based on paragraph (First/5) of Article (4) of the executive regulation for the collection of zakat issued by Ministerial Decision No. (2082) dated 1/6/1438 AH, it states that: "The zakat base consists of all the taxpayer's assets subject to zakat, including:..5- government and commercial loans and other financing sources such as creditors, promissory notes, and overdraft accounts owed by the taxpayer as follows:" A- What remains of it in cash and has completed a year. B- What has been used to finance what is intended for acquisition. C- What was used in trade offers and has passed a year on it." Based on the above, and since loans are considered one of the components of the zakat base regardless of their type, source, or classification, provided that a year has passed on them or they are used to finance the assets deducted from the zakat base without requiring a year to pass on them, and upon reviewing the case file, it is clear that the authority's viewpoint in adding the balances of those loans is that they were used to finance fixed assets, and upon reviewing the documents attached to the case file, it is evident from the cash flow statement for the year 2018 that the net cash from operations for the years 2018 and 2017 amounts to (11,044,810) riyals and (16,654,344) riyals respectively, which is higher than the value of the acquired assets, which contradicts what the authority mentioned about using these loans to purchase fixed assets. Therefore, since the authority did not provide evidence of its action regarding the use of those loans in financing fixed assets. As for the loans and similar for the year 2018, upon reviewing the case file and the attached documents, it became clear to us that the taxpayer attached an Excel statement of long-term loans which included the opening balance, additions during the year, amounts repaid during the year, and the closing balance. Therefore, the authority's argument in its response to the taxpayer's appeal that the statement was brief and did not clarify the required movement does not hold. Analyzing the attached statement shows the validity of the taxpayer's defenses regarding the lack of a year passing on the balances of long-term loans, which leads the committee to accept the taxpayer's appeal and cancel the decision of the Appeals Committee regarding this item.



## Decision:

1- Acceptance of the appeal procedurally from the taxpayer/ Company ..., Commercial Registration (...). Unique number (...). Against the decision of the first circuit regarding violations and disputes of income tax in Jeddah Province number (IZJ-2022-2634) issued in case number (Z-44464-2020) related to the zakat assessment for the years 2014, 2016, 2017, and 2018.

2- On the Merits:

1- Acceptance of the taxpayer's appeal and cancellation of the decision of the Appeals Committee regarding item (Difference in Purchases for the years 2014 and 2016).

2- Rejection of the taxpayer's appeal and upholding the decision of the Appeals Committee regarding item (Short-term Loans).

3- Acceptance of the taxpayer's appeal and cancellation of the decision of the Appeals Committee regarding item (Long-term Loans for the years 2017 and 2018 and loans and similar for the year 2018).

4- Regarding the taxpayer's appeal on item (Advance Payments):

A- Acceptance of the taxpayer's appeal and cancellation of the decision of the Appeals Committee regarding (Advance Payments for the years 2017 and 2018).

B- Rejection of the taxpayer's appeal and upholding the decision of the Appeals Committee regarding item (Advance Payments for the year 2016).

5- Rejection of the taxpayer's appeal and upholding the decision of the Appeals Committee regarding item (Inventory Spare Parts for the years 2015 and 2016).

6- Rejection of the taxpayer's appeal and upholding the decision of the Appeals Committee regarding item (Material Error in Calculating the Zakat Base).



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR-2024-187839

Case No. Z-2023-187839

Keywords:

Zakat – Elements of addition to the Zakat base – Loans added to the Zakat base – Acceptance of the taxpayer's appeal – Acceptance of the authority's appeal

Summary:

The taxpayer's objection and the Zakat, Tax and Customs Authority to the decision of the third circuit regarding violations and disputes of income tax in Riyadh number (Z-47421-2021), where the authority's appeal lies on the item (not deducting the government subsidies due at the end of the year from the net profit for the year 2015) to clarify that it deducted the due balance of government subsidies for the year 2015 only from the Zakat base, and the taxpayer's appeal lies on the item (adding loan balances to the Zakat base for the year 2015) on the grounds that the loans obtained by the company were for the purpose of contributing to financing the main activity of the company. And since it was established to the Appellate Committee according to the clarification of loans in the financial statements, that the purpose was to complete the poultry farm project and to complete the factory (...), which means that its main purpose was to finance assets and that what has been completed in it was an amount of (196,500,000) riyals, and there is no addition even though the additions during the year financed assets and should be added to the base if they exist. Accordingly; the acceptance of the taxpayer's appeal, and the acceptance of the authority's appeal.

Document:

- Zakat, Tax and Customs Committees Regulations issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Paragraph (6, 5) of Article (1/ 4) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.



## Parties Defenses:

### Appellant's

- 1- The taxpayer argued that the loans obtained by the company were for the purpose of contributing to financing the main activity of the company.
- 2- The taxpayer argued that considering revolving loans within the Zakat base was issued after the years of objection and that applying it is not appropriate, and upon reviewing the Zakat regulations and fatwas before the issuance of the new regulation, it became clear that the 1440 AH regulation was complementary and did not challenge the previous procedures and articles but was complementary.

## The Committee's response to the defenses:

Where paragraph (5) of item (First) of Article (Fourth) of the executive regulation for collecting Zakat issued by Ministerial Decision No. (2082) dated 1/6/1438 AH, stated that: "The zakat base consists of all the taxpayer's assets subject to zakat, including:" 5- Government and commercial loans and other sources of financing such as creditors, promissory notes, and overdraft accounts owed by the taxpayer as follows: A- What remains of it in cash and has completed a year. B- What has been used to finance what is intended for acquisition. C- What has been used in trade offers and has completed the year", as clarified by the fatwa issued by the Permanent Committee for Scientific Research and Ifta No. (22665) dated 15/4/1424 AH that: "What the company takes from money as a loan from investment funds or others does not escape one of the following cases: A/ That the year passes on all or part of it before spending it, so what has passed on it the year is due Zakat. 2/ That all or part of it is used to finance fixed assets, so there is no Zakat on what has been used for that. 3/ That it is used to finance the ongoing activity of the company, which is considered among trade offers, so Zakat is due on it based on what has been acquired and is Zakatable by evaluating it at the end of the year", and based on the above, loans are considered one of the components of the Zakat base regardless of their type, source, or classification, provided that the year has passed on them or they are used to finance the assets deducted from the Zakat base without the condition of the year passing on them, and upon reviewing the circuit on the case file, it is clear that the taxpayer argues that revolving and renewed loans were issued after the years of objection above and that applying them is not appropriate, and upon reviewing the Zakat regulations and fatwas above before the issuance of the new regulation, it became clear that the 1440 AH regulation was complementary and did not challenge the previous procedures and articles but was complementary, and upon reviewing the documents attached to the case file, it became clear to them through it that the movement matched the financial statements and it was not clear that the short-term loans were revolving or renewed, as comparing the loan repayment dates with the dates of receipt of



the amounts did not clarify that, and upon reviewing the detailed movement, it is clear that what has passed on it the year was an amount of (93,825,000) riyals, and as for the Agricultural Development Fund loans according to the clarification of loans in the financial statements, it became clear that they were for the purpose of completing the poultry farm project and for the purpose of completing the factory ..., which means that its main purpose was to finance assets and that what has passed on it the year was an amount of (196,500,000) riyals, and there is no addition even though the additions during the year financed assets and should be added to the base if they exist, which leads the Circuit to accept the taxpayer's appeal partially and amend the decision of the circuit regarding the item (adding loan balances to the Zakat base for the year 2015).

### Decision:

1- Acceptance of the appeal procedurally from the taxpayer/company ..., commercial registration (...), distinctive number (...), and the appeal submitted by the Zakat, Tax and Customs Authority, against the decision of the third circuit regarding violations and disputes of income tax in Riyadh number (IFR-2022-6702) issued in case number (Z-47421-2021) related to the Zakat assessment for the year 2015.

2- On the Merits:

1 - Acceptance of the authority's appeal and cancellation of the decision of the circuit regarding the item (not deducting the government subsidies due at the end of the year from the net profit for the year 2015).

2 - Acceptance of the taxpayer's appeal partially and amending the decision of the circuit regarding the item (adding loan balances to the Zakat base for the year 2015).

3- Cancellation of the decision of the circuit in all matters related to the years 2016, 2017, and 2018.



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR-2024-190921

Case No. Z-2023-190921

Keywords:

Zakat – Elements of addition to the Zakat base – Loans that financed deducted assets – Acceptance of the taxpayer's appeal

Summary:

The taxpayer's objection to the decision of the third circuit regarding violations and disputes of income tax in Riyadh number (IFR-2022-6785), where his appeal lies on the item (deducting investments in affiliated companies and foreign companies) because the authority did not exclude this share from the profits subject to Zakat and thus its procedure led to a reduction in Zakat, and item (distributions of profits due for the year 2016), because the distributions announced by the invested company represent profit distributions that have been Zakatable in the invested company during the year of distribution announcement 2016, and item (loans that financed deducted assets for the year 2015) because the authority added loans that financed deducted assets to the Zakat base in the amount of (28,344,440) riyals on the basis that they financed deducted assets due to the lack of liquidity with the taxpayer. And since it was established to the Appellate Committee according to the taxpayer's statement that there is no deficit and that the results of the year showed a surplus in cash. The company financed additions to fixed assets during the year from available cash balances, and those additions during the year amounted to (28,344,440) Saudi Riyals. After the circuit reviewed the financial statements "Appendix 8", it became clear to them that what was stated in the appeal was correct, as there was no deficit and the available cash from operations during the year was used to finance the assets. Consequently; the taxpayer's appeal is accepted and the decision of the division is canceled.



## Document:

- Article (20/3), The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.
- of Article (4/1), of paragraph (5.8) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

## Parties Defenses:

### Appellant's

- 1- The taxpayer argued that the authority conducted a test to calculate the surplus/deficit of cash during the year, but it was incorrect in the mentioned calculation as the company did not have a deficit; rather, there was a surplus in cash.

## The Committee's response to the defenses:

Based on paragraph (First/5) of article (4) of the executive regulation for the collection of Zakat issued by the ministerial decision No. (2082) dated 1/6/1438 AH, which stated that: "The zakat base consists of all the taxpayer's assets subject to zakat, including:" 5- Government and commercial loans and other sources of financing such as creditors, promissory notes, and overdraft accounts owed by the taxpayer as follows: A- What remains of it in cash and has completed a year. B- What has been used to finance what is intended for acquisition. C- What was used in trade offers and has passed a year." Based on the above, the circuit found that the dispute lies in the authority adding loans that financed discounted assets to the Zakat base in the amount of (28,344,440) Riyals on the basis that they financed discounted assets due to the lack of liquidity available to the taxpayer. While the taxpayer stated that there was no deficit and the results of the year showed a surplus in cash. The company financed additions to fixed assets during the year from available cash balances, and those additions during the year amounted to (28,344,440) Saudi Riyals, and the available cash at the end of the year amounted to (5,622,093) Riyals. After the circuit reviewed the financial statements "Appendix 8", it became clear to them that what was stated in the taxpayer's appeal was correct, as it was evident that there was no deficit and that the available cash from operations during the year was used to finance the assets, which led the circuit to accept the taxpayer's appeal and cancel the decision of the division regarding this item.



## Decision:

1- Accepting the appeal procedurally from the taxpayer/company... Commercial register (...), unique number (...), against the decision of the third division for adjudicating violations and disputes of income tax in Riyadh with number (IFR-2022-6785) issued in case number (Z-2021-67614) related to the Zakat assessment for the years from 2015 to 2017.

2- On the Merits:

1- Partially accept the taxpayer's appeal and amend the decision of the division regarding the item (deduction of investments in affiliated companies and foreign companies).

2- Accept the taxpayer's appeal and cancel the decision of the division regarding the item (distributions of profits due for the year 2016).

3- Acceptance of the taxpayer's appeal and cancellation of the decision of the division regarding item (Loans financed assets settled for the year 2015).



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR-2024-191812

Case No. Z-2023-191812

Keywords:

Zakat – Elements of addition to the zakat base – Revenues received from clients – Acceptance of the authority's appeal

Summary:

Objection The Zakat, Tax and Customs Authority to the decision of the third division regarding violations and disputes of income tax in Riyadh number (ITR-2023-90169), where its appeal lies on item (Revenues received from clients for the year 2020 claiming the addition of the opening balance for the client as it is the lesser balance that has completed the year. And it has been established to the appellate committee that the taxpayer submitted an analytical account statement for the revenues received for the year 2020, which showed that the client (Kitchen Revenues) has an opening and closing balance, and it appears that the authority is demanding the addition of the opening balance for the client as it is the lesser balance that has completed the year, amounting to (12,153) riyals. The implication of this; acceptance of the authority's appeal and cancellation of the decision of the adjudicating circuit.

Document:

- Paragraph (2) of article (4) of The executive regulation for Zakat collection issued by the decision of His Excellency the Minister of Finance number (2216) dated 07/07/1440 AH.

Parties Defenses:

Appellant's

- 1- The authority argued that it added the item balance of (1,097,909) riyals for the year 2020 based on paragraph (2) of Article (4) of the executive regulation governing the collection of zakat issued by number (2216) dated 7/7/1440 AH, and upon studying the objection, the taxpayer stated that he attached the analysis of revenues received from clients, and upon verification, it appears that no documents or transactions for the account were attached, thus the authority confirms the validity



of its action in adding the item balance by taking the opening or closing balance, whichever is less, based on the regulation.

### The Committee's response to the defenses:



Based on paragraph (2) of Article (4) of the executive regulation for collecting zakat issued by the ministerial decision number (2216) dated 07/07/1440 AH, which states that: "The zakat base for the taxpayer who keeps commercial books consists of all his assets subject to zakat collection, including the following: 2- Revenues and advances received by the taxpayer at the beginning or end of the year, whichever is less." Based on the above, it appears that the dispute lies in the authority's demand to add the opening or closing balance, whichever is less, of the revenues received for the year 2020, and where the taxpayer argues that calculating zakat on the revenues received will lead to double taxation, once as revenue advances and once as recognized revenues, however, based on the above article, revenues and advances received are considered one of the elements of the zakat base for the taxpayer and are subject to zakat according to the opening or closing balance, whichever is less, and upon reviewing the submitted documents, it appears that the taxpayer submitted an analytical account statement for the revenues received for the year 2020, and it is clear that the client (Kitchen Revenues) has an opening and closing balance, and it appears that the authority is demanding the addition of the opening balance for the client as it is the lesser balance that has completed the year, amounting to (12,153) riyals, which leads the division to accept the authority's appeal and cancel the decision of the division.

### Decision:

1- Acceptance of the appeal procedurally from its submitter, the Zakat, Tax and Customs Authority against the decision of the third division regarding violations and disputes of income tax in Riyadh with number (ITR-2023-90169) issued in case number (Z-2022-90169) related to the zakat assessment for the years 2019 and 2020.

2- On the Merits:

Acceptance of the authority's appeal and cancellation of the decision of the division regarding items (Revenues received from clients for the year 2020).



## Elements of deduction from the zakat base



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No IR-2024-175065

Case No Z-2023-175065

Keywords:

Zakat – Elements of deduction from the zakat base – Deduction required from related parties – Acceptance of the authority's appeal – Acceptance of the taxpayer's appeal

Summary:

The taxpayer's objection and the Zakat, Tax and Customs Authority to the decision of the second division regarding violations and disputes of income tax in Riyadh number (ISR-2022-1949), where the authority's appeal lies on item (Profits of subsidiary companies) because the taxpayer adjusted and excluded the effect of these profits from the adjusted net profit, and thus it is not permissible to exclude them again from the investment balance in the zakat base, and the taxpayer's appeal lies on item (Required from related parties) for the following grounds that zakat was paid on the amount in a related party company (subsidiary). And it has been established to the appellate committee that the amount due to a related party for a owned company is treated as a loan from the parent company to the subsidiary and is deducted according to the ownership percentages of the parent company in the subsidiary, and since Company (A) owns (100%) of Company (B). The result of that; acceptance of the authority's appeal and acceptance of the taxpayer's appeal.

Document

- Paragraph (4) of Article (4) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.
- Paragraph (3) of Article (20) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.



## Parties Defenses:

### Appellant's

- 1- The taxpayer must pay that Company (A) owns Company (B) 100% according to the articles of incorporation.
- 2- - Amounts due from Company (...) It was certified in the zakat assessment for the year 2018 according to the zakat regulations.

### The Committee's response to the

Based on Article (4) paragraph (2) item (4/A) of the zakat collection regulations issued by Ministerial Decision No. (2082) dated 1/6/1438 AH, which stated that: "The following shall be deducted from the zakat base:" 4- (A): Investments in establishments within the Kingdom – in partnership with others – if those investments are subject to zakat collection under these regulations, if the investment in those establishments is not subject to collection, it shall not be deducted from the base." Therefore, based on the above, and by referring to the case file and the defenses and documents it contains, it became clear to the committee through the responses of the parties to the case that the dispute lies in adding the taxpayer's share in the profits of the subsidiary companies from the investment deducted from the zakat base, and since the authority acknowledges that it has deducted the taxpayer's share from the results of the invested companies in the amount of (164,146,941) riyals from the adjusted net profit and deducted the investment with the opening balance to remove the effect of these results from the deducted investment, and by referring to the declaration submitted by the taxpayer for the year in dispute, it is clear that it adjusted the adjusted net profit and deducted all the apparent revenues (the company's share in the profits of the invested company) from the adjusted net profit and by the same amount, which indicates that the taxpayer adjusted and excluded the effect of these profits from the adjusted net profit, and therefore it is not permissible to exclude them again from the investment balance in the zakat base, which leads the committee to accept the authority's appeal and cancel the decision of the division regarding this item.

And based on Article (4) paragraph (2) item (4/A) of the zakat collection regulations issued by Ministerial Decision No. (2082) dated 1/6/1438 AH, which stated that: "The following shall be deducted from the zakat base:" 4- (A): Investments in establishments within the Kingdom – in partnership with others – if those investments are subject to zakat collection under these regulations, if the investment in those establishments is not subject to collection, it shall not be deducted from the base." Based on the above, the additional contributions made by the parent company to the subsidiaries may be in the form of an increase in investment or loans to be repaid to the investing company, and based on the above, and by reviewing the case file and the defenses it contains, it became clear to the committee that the above item represents loans



provided by the company to the subsidiaries, therefore the decision issued to deduct the investment percentage is correct, and since the opinion of the tax and zakat appeal judiciary has settled that the contributions made by holding companies to subsidiaries, which represent a loan (advances) provided to the subsidiary company, the taxpayer (the lender) has the right to deduct part of the loans and advances provided to the subsidiary from its zakat base in proportion to its investment in the subsidiary to which the loan was provided because they are considered one entity, and since the related party (Company ...) is 100% owned by Company ... As shown in the financial statements note No. (1) and in the decision of the partners to waive their shares to Company (...) for investment, in addition to the fact that by referring to note No. (6), it is clear that the taxpayer is a member of a group of sister companies that are managed directly or indirectly by the partners in the company, and by referring to the company's articles of incorporation, this is evident, and therefore the taxpayer requests to deduct the required amount from the related party on the grounds that zakat is paid on the amount in the related party company (subsidiary), and by reviewing the documents attached to the case file, the committee found that the amount in the financial statements of Company (...) is (288,826,824) riyals as it has adjusted the financial statements for the previous year and the amount that the taxpayer requests to deduct is (293,934,874) riyals, and considering that the amount due to a related party for a company owned is treated as a loan from the parent company to the subsidiary and is deducted in proportion to the ownership percentage of the parent company in the subsidiary, and since Company (A) owns (100%) of Company (B), this leads the committee to accept the taxpayer's appeal partially by deducting the amount of (288,826,824) riyals as it is in the financial statements of Company (...). And amend the decision of the committee regarding this item.

### Decision

1- Accept the appeal procedurally from the taxpayer/company (...) Commercial registration number (...), distinctive number (...), and the Zakat, Tax and Customs Authority, against the decision of the second division regarding violations and disputes of income tax in Riyadh with number (ISR-2022-1949) issued in case number (-Z-202168898-) related to the zakat assessment for the year 2018.

2- Objectively:

1- Accept the authority's appeal and cancel the decision of the division regarding the item (profits of subsidiary companies).

2- Accept the taxpayer's appeal and cancel the decision of the division regarding the item (difference in retained earnings).

3- Accept the taxpayer's appeal partially and amend the decision of the division regarding the item (amount due from related parties).



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No IR-2024-191526

Case No Z-2023-191526

Keywords:

Zakat – Elements of deduction from the zakat base – Unutilized lands in the main activity of the taxpayer  
– Acceptance of the taxpayer's appeal

Summary:

The taxpayer's objection to the decision of the third circuit regarding violations and disputes of income tax in Riyadh number (ITR-2023-97448), where his appeal lies on item (Lands for the year 2018 – Land ... ) This is because the authority did not deduct the lands from the zakat base despite meeting the deduction conditions. The appellate committee established that the taxpayer provided a copy of the contracts of the company's employees residing in the residential villa and a copy of their housing receipt as well as copies of their residency permits for the villa land ... Also, the deed of transfer was completed in the year 1434 AH. Consequently; accepting the taxpayer's appeal and canceling the decision of the adjudication authority.

Document

- Paragraph (4/2) of Article (4) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.
- Paragraph (3) of Article (20) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

Parties Defenses:

Appellant's

- 1- The taxpayer argued that the lands were purchased for the purpose of using them in the main activity of the company in the contracting sector and not for trading, as they are used as warehouses and administrative buildings and housing for workers.



## The Committee's response to the



Based on paragraph number (1) of item (2) of article four of the executive regulation for collecting zakat issued by ministerial decision number (2082) dated 1/6/1438 AH which stated: "The following shall be deducted from the zakat base:" 1- Fixed assets, including the following: Net value of fixed assets (capital assets) and any payments for purchasing fixed assets, and the value of spare parts not intended for sale, provided that these assets are owned by the taxpayer – unless there is an obstacle preventing the transfer of ownership – and that they are used in the activity," based on paragraph (3) of article (20) which states: "The burden of proving the accuracy of what is stated in the taxpayer's zakat declaration regarding items and any other data lies with the taxpayer, and if he is unable to prove the accuracy of what is stated in his declaration, the authority may not approve the item that is not proven by the taxpayer or may impose an estimated assessment according to the authority's perspective in light of the circumstances and facts related to the case and the information available to it," Based on the above, it became clear to the circuit that the dispute lies in the authority's failure to deduct the lands due to their non-utilization in the main activity of the company, while the taxpayer claims that they are utilized in the activity, and after reviewing the case file, the authority indicated in its response memorandum that the description of the property in the real estate evaluation submitted by the taxpayer showed that the properties are for personal use, and a copy of the contracts of the company's employees residing in the residential villa and a copy of their housing receipt as well as copies of their residency permits for the villa land (...) was provided. Also, the deed of transfer was completed in the year 1434 AH, which leads the circuit to partially accept the taxpayer's appeal and amend the decision of the adjudication circuit regarding this item by accepting the taxpayer's appeal concerning the land (...).

## Decision

1- Acceptance of the appeal procedurally, submitted by / ... Company Commercial register (...) number distinctive (...) against the decision of the third circuit regarding violations and disputes of income tax in Riyadh number (ITR-2023-97448) issued in case number (Z-2022 97448-) related to the zakat assessment for the year 2018.

2- On the Merits:

1- A - Accept the taxpayer's appeal and annul the decision of the adjudication circuit regarding item (Lands for the year 2018 – Land ...).

B - Reject the taxpayer's appeal and uphold the decision of the adjudication circuit regarding item (Lands for the year 2018 – Remaining lands)

2 - Reject the taxpayer's appeal and uphold the decision of the adjudication circuit regarding item (Advance payments from customers for the year 2018).



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No IR-2024-171504

Case No. Z-2023-171504

Keywords:

Zakat – Elements of deduction from the zakat base – Lands and buildings in the names of the partners –  
Acceptance of the taxpayer's appeal

Summary:

The taxpayer's objection to the decision of the first circuit regarding the resolution of income tax violations and disputes in Dammam City No. (IZD-2022-2588), where his appeal lies on the item (investments for the year 2015) as he claims that these investments were financed from the company's funds in long-term (capital) assets and not trade (offers) for the purpose of achieving an annual return when distributing profits, and the item (lands and buildings for the year 2015), as the circuit rejected his objection regarding the disputed item, claiming that they are (capital assets) long-term purchased several years ago without being sold or traded, thus they are not designated for sale from the zakat base. The appellate committee has established that it is permissible to deduct the assets in the name of the partners from the zakat base provided that these assets are used in the activity with evidence presented that justifies the non-transfer of ownership to the company. Upon reviewing the documents attached to the case file, it is clear that the taxpayer submitted declarations of the partners' waiver of these lands to the taxpayer, in addition to all payments made by the taxpayer to finance and purchase the assets as the taxpayer is the one who financed these assets. Consequently, the taxpayer's appeal is accepted and the decision of the circuit is annulled.

Document

- Paragraph (4/4) of Article (4) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.
- Paragraph (3) of Article (20) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.



## Parties Defenses:

### Appellant's

- 1- The taxpayer argued that the properties were financed from the company's funds and that they are used to generate the company's revenues either currently or in the future.
- 2- The taxpayer argued that he relies on the previous circulars of the authority that allow the deduction of fixed assets financed from the company's funds even if the ownership of these assets has not been officially transferred to the company.

### The Committee's response to the

Based on paragraph (1) of item (Second) of article (4) of the Zakat Collection Regulation issued in 1438 AH, which states: "The following shall be deducted from the zakat base:" 1- Fixed assets, including the following: The net value of fixed assets (capital assets) and any payments for purchasing fixed assets and the value of spare parts not intended for sale, provided that these assets are owned by the taxpayer (unless there is an obstacle preventing the transfer of ownership) and that they are used in the activity." And based on paragraph (3) of article (20) of the executive regulation for zakat collection issued by ministerial decision No. (2082) dated 1/6/1438 AH, which states: "The burden of proving the accuracy of what is stated in the taxpayer's zakat declaration regarding items and any other data lies with the taxpayer, and if he is unable to prove the accuracy of what is stated in his declaration, the authority may not approve the item that is not proven to be accurate as stated in his declaration, and the authority may not approve the item that is not proven to be accurate by the taxpayer or may impose an estimated assessment according to the authority's perspective in light of the circumstances and facts related to the case and the information available to it." Based on the above, it is clear that it is permissible to deduct the assets in the name of the partners from the zakat base provided that these assets are used in the activity with evidence presented that justifies the non-transfer of ownership to the company. Upon reviewing the documents attached to the case file, it is clear that the taxpayer submitted declarations of the partners' waiver of these lands to the taxpayer, in addition to all payments made by the taxpayer to finance and purchase the assets as the taxpayer is the one who financed these assets, and all documents proving their payment. Since this item has affected the taxpayer's assets by increasing and is matched by financing on the liabilities and equity side of the company, as the financing was from the company and according to the accounting equation, any increase in assets is matched by an increase in liabilities or equity, and this increase affects the zakat base, the taxpayer has the right to deduct what corresponds to it, which leads the circuit to accept the taxpayer's appeal and annul the decision of the circuit regarding this item.



## Decision

1- Acceptance of the appeal procedurally from the taxpayer/ ..., commercial registration (...), distinctive number (...) Against the decision of the first circuit regarding the resolution of income tax violations and disputes in Dammam City No. (IZD-2022-2588) issued in case No. (Z-2021-73621) related to the zakat assessment for the year 2015.

2- On the Merits:

1- The taxpayer's appeal is rejected and the decision of the circuit is upheld regarding item (partners' current account difference for the year 2015).

2- The taxpayer's appeal is accepted and the decision of the circuit is annulled regarding item (investments for the year 2015).

3- The taxpayer's appeal is accepted and the decision of the circuit is annulled regarding item (lands and buildings for the year 2015).



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No IR-2024-168661

Case No Z-2023-168661

Keywords:

Zakat – Deduction elements from the zakat base – Calculation of net fixed assets – Acceptance of the authority's appeal

Summary:

The objection of the Zakat, Tax and Customs Authority to the decision of the first circuit regarding the resolution of income tax violations and disputes in Dammam City No. (IZD-2022-2441), where its appeal lies on the item (retained earnings for the years 2017 and 2018) to annul its procedure due to the submission of the respondent's evidential documents, and item (net fixed assets for the year 2018), according to the following grounds: The regulation was issued after the taxpayer submitted his declaration, and the authority responds that this is incorrect as the taxpayer submitted his declaration for the year 2018 on 17/09/1440 AH and the zakat regulation was issued on 01/06/1438 AH, meaning that the treatment of that item for that year should be in accordance with the regulation as stated in article seven paragraph (second) and article four paragraph (second/1) of the executive regulation for zakat collection. And it has been established to the appellate committee by reviewing the case file and what it contains of defenses and documents; the correctness of what the authority indicated as the year of dispute is 2018; accordingly, the executive regulation for zakat collection issued by ministerial decision (2082) dated 01/06/1438 AH is applied. The implication is that the appeal of the authority is accepted.

Document

- Paragraph (4/8) of Article (4) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.
- Paragraph (2) of Article (7) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.



## Parties Defenses:

### Appellant's

- 1- The authority argued that the taxpayer submitted their declaration for the year 2018 after the regulation was issued on 01/06/1438H, which necessitates its application according to Article (4/Second/1).

## The Committee's response to the defenses:

Where paragraph 1(/Second) of Article (4) of the executive regulation for the collection of Zakat issued by Ministerial Decision (2082) dated 1/6/1438H states: "The following shall be deducted from the zakat base:" The net value of fixed assets (property assets) and any payments for the purchase of fixed assets, and the value of spare parts not intended for sale, provided that these assets are owned by the taxpayer - unless there is an obstacle preventing the transfer of ownership - and that they are used in the activity." And where paragraph (2) of Article (7) of the executive regulation for the collection of Zakat issued by Ministerial Decision (2082) dated 1/6/1438H states: "Fixed assets are depreciated according to the straight-line method, and their depreciation rate is as follows: ...". Based on the above, and since the authority's appeal revolves around what was stated in the circuit's reasoning that the regulation was issued after the taxpayer submitted their declaration, the authority responds that this is incorrect as the taxpayer submitted their declaration for the year 2018 on 17/09/1440H and the Zakat regulation was issued on 01/06/1438H, meaning that the treatment of that item for that year should be in accordance with the regulation as stated in Article Seven paragraph (Second) and Article Four paragraph (Second/1) of the executive regulation for the collection of Zakat. Upon reviewing the case file and the defenses and documents it contains, it is clear that what the authority referred to is correct as the year of dispute is 2018; therefore, the executive regulation for the collection of Zakat issued by Ministerial Decision (2082) dated 01/06/1438H should be applied, which leads the circuit to accept the authority's appeal and cancel the decision of the circuit regarding this item.

## Decision

1- Acceptance of the appeal procedurally from its submitter/ the Zakat, Tax and Customs Authority, against the decision of the first circuit regarding violations and disputes of income tax in the city of Dammam with number (IZD-2022-2441) issued in case number (Z-65642-2021) related to the Zakat assessment for the years from 2015 to 2018.

2- On the Merits:



- 1- Acceptance of the authority's appeal and cancellation of the decision of the circuit regarding the item (net fixed assets for the year 2018).
- 2- Acceptance of the authority's appeal partially and modification of the decision of the circuit regarding the item (retained earnings for the years 2017 and 2018).
- 3- Rejection of the authority's appeal and upholding the decision of the circuit regarding the item (legal reserve for the years 2015 and 2016).



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No IR-2024-168768

Case No Z-2023-168768

Keywords:

Zakat - Elements of deduction from the Zakat base - Properties under development - Acceptance of the taxpayer's appeal

Summary:

The taxpayer's objection to the decision of the first circuit regarding violations and disputes of income tax in Jeddah Governorate number (IZJ-2022-2489), where their appeal is based on the item (Properties under development) to claim the deduction of properties under development from the Zakat base. And where it was established to the committee that the authority did not accept the deduction of the item due to the sale of those properties in the following year 2016, and after reviewing the financial statements for the year 2016, it was confirmed that they were excluded and it was confirmed to them that these properties are not intended for property but rather for sale and trade, yet the existence of a single sale movement for the item does not affect as long as it has not been proven to be related to sales operations that turn it into trade offers. Consequently; accepting the taxpayer's appeal and canceling the decision of the adjudication authority.

Document

- Paragraph (2) of article (4) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

Parties Defenses:

Appellant's

- 1- The authority confirmed that the taxpayer did not prove the nature of the sold properties and whether they were fixed assets and not inventory goods.



## The Committee's response to the defenses:



Where paragraph number (1) of item (Second) of Article Four of the executive regulation for the collection of Zakat issued by Ministerial Decision number (2082) dated 1/6/1438H states: "The following shall be deducted from the zakat base:" 2- The taxpayer's capital constructions under construction which are being constructed for the purpose of using them in the activity and not for the purpose of selling them." As stated in paragraph number (1) of item (Second) of Article Four of the executive regulation for the collection of Zakat issued by Ministerial Decision number (2082) dated 1/6/1438H: "The following is deducted from the Zakat base: 1- Fixed assets, which include the following: The net value of fixed assets (property assets) and any payments for the purchase of fixed assets, and the value of spare parts not intended for sale, provided that these assets are owned by the taxpayer - unless there is an obstacle preventing the transfer of ownership - and that they are used in the activity." Based on the above, and upon reviewing the case file and the defenses and documents it contains; it is clear that the dispute lies in the taxpayer's request to deduct properties under development from the Zakat base, and based on what was mentioned above; it is necessary to meet two essential conditions for considering properties under development as items that can be deducted from the Zakat base, which are the documented intention of the authorized person that clarifies the intention for these properties and the absence of sales operations that occurred during the year in question. Upon reviewing the submitted documents, it is clear that the taxpayer submitted land deeds and an account statement extracted from the system and a detailed account statement which shows that there were no sales movements during the year in question. As for what the authority indicated that it did not accept the deduction of the item due to the sale of those properties in the following year 2016, and after reviewing the financial statements for the year 2016, it was confirmed that they were excluded and it was confirmed to them that these properties are not intended for property but rather for sale and trade, yet the existence of a single sale movement for the item does not affect as long as it has not been proven to be related to sales operations that turn it into trade offers. Therefore, since the taxpayer submitted the documents supporting their objection, the circuit concludes to accept the taxpayer's appeal and cancel the decision of the circuit regarding this item.



## Decision

1- Acceptance of the appeal procedurally from the appellant, the company (...), commercial registration (...), unique number (...). Against the decision of the first circuit for adjudicating violations and disputes of income tax in Jeddah Province with number (IZJ-2022-2489) issued in case number (Z-2021) 72424-related to the zakat assessment for the year 2015.

2- On the Merits:

1- The appellant's appeal is rejected, and the decision of the adjudicating circuit regarding the item (illegality of opening the assessment and amending the zakat declaration for the year 2015) is upheld.

2- The appellant's appeal is rejected, and the decision of the adjudicating circuit regarding the item (profit from imports at 10%) is upheld.

3- The appellant's appeal is rejected, and the decision of the adjudicating circuit regarding the item (difference in allocations) is upheld.

4- The appellant's appeal is rejected, and the decision of the adjudicating circuit regarding the item (creditors' accounts and other receivables and credit balances) is upheld.

5- The appellant's appeal is accepted, and the decision of the adjudicating circuit regarding the item (properties under development) is canceled.

6- The appellant's appeal is rejected, and the decision of the adjudicating circuit regarding the item (difference in losses carried forward) is upheld.



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No IR-2024-190392

Case No. Z-2023-190392

Keywords:

Zakat – Elements of deduction from the zakat base – Profit distributions – Acceptance of the authority's appeal

Summary:

Objection of the Zakat, Tax and Customs Authority to the decision of the third circuit for adjudicating violations and disputes of income tax in Riyadh City number (IFR-2022-6748), where its appeal is based on the item (profit distributions for the years 2016, 2017, and 2018) to subject it to zakat as it is considered distributions from previous years received that were deducted from the retained earnings of the investing company. And since it has been established to the appellate committee that what the appellant claims as a deduction of profit distributions from the adjusted net profit results in the adjusted profit not being subject to zakat collection, which contradicts what is stated in the zakat collection regulation that subjected the entire adjusted net profit of the year to legitimate zakat as it is considered a yield on capital without considering the passage of a year on it and before distribution from it, and since the passage of these profits is the passage of their origin, it becomes clear that the authority's action of not reducing the adjusted profits by the distributed profit from the profit of the year is correct. Consequently, the authority's appeal is accepted, and the decision of the adjudication committee is canceled.

Document

- Paragraph (2, 10) of Article (4) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

Parties Defenses:

Appellant's

- 1- The authority argued that the distributed profits were not subject to zakat in the investing company, and thus there is no double counting in the zakat calculation.



### The Committee's response to the defenses:



Based on paragraph (10) of Article (4) of the executive regulation for zakat collection issued in 1438 AH, which stated that: First: The zakat base consists of all the funds of the taxpayer subject to zakat, including: 10- The adjusted net profit for zakat purposes, which is reached according to the provisions of this regulation." And based on item (Second/9/b) of Article (4) of it that states: "It should be noted when calculating the zakat base for the taxpayer that the base should not be less than the adjusted net profit for zakat purposes as a minimum." Based on the above, it becomes clear that the dispute lies in the authority's refusal to reduce the adjusted profits by the distributed profit from the profit of the year in question, as the authority sees the imposition of zakat on the adjusted profit without reducing it by the amount paid from the profit distributions that were not subject to zakat in the investing company, as what was subject in the investing company are the retained earnings at the end of the period, which means that the distributions were not subject as they were excluded from the retained earnings balance, which means there is no contradiction in the zakat. Upon reviewing the case, it becomes clear that the profit distributions received from the company... are from the retained earnings and not from the profits of the year, and since the appellant did not provide evidence that the distributed amounts were subject to zakat in the company... Thus, there is no existence of a deduction in zakat. Moreover, upon reviewing item (Second/9/b) of Article (4) of the Zakat Collection Regulation issued in the year 1438 AH, it is clear that it states that the zakat base must not be less than the adjusted profit as a minimum when calculating zakat. Since what is demanded by the taxpayer to deduct profit distributions from the adjusted net profit results in the adjusted profit not being subject to zakat collection, this contradicts what is stated in the Zakat Collection Regulation, which subjected the entire adjusted net profit of the year to legal zakat as it is considered the yield of the capital without considering the passage of a year on it and before its distribution, as the year of these profits is the year of their origin. This shows the validity of the authority's action not to reduce the adjusted profits by the distributed profit from the profit of the year, which leads the circuit to accept the authority's appeal and cancel the decision of the division regarding this item.

### Decision

1- Acceptance of the appeal procedurally from the appellant, the Zakat, Tax and Customs Authority, against the decision of the third division regarding violations and disputes of income tax in Riyadh with number (IFR-2022-6748) issued in case number (Z-2021-82195) related to the zakat assessment for the years 2016 to 2018.

2- Objectively:

Acceptance of the authority's appeal and cancellation of the decision of the division regarding item (profit distributions for the years 2016, 2017, and 2018).



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR-2024-170826

Case No. Z-2023-170826

Keywords:

Zakat – Elements of deduction from the zakat base - amounts due from customers - acceptance of the taxpayer's appeal

Summary:

The objection of the taxpayer and the Zakat, Tax and Customs Authority to the decision of the second division regarding violations and disputes of income tax in Riyadh number (ISR-2022-1804), where the authority's appeal lies in not deducting item ) amounts due to government entities (as the withheld amounts are due receivables that are government-held meaning they are confirmed for collection and considered from trusted entities with the ability to pay, and the taxpayer's appeal lies in item (amounts due from customers) demanding its deduction as it is from the doubtful receivables (bad debts), and it has been established to the appellate committee regarding the taxpayer's appeal that the debt is on a delaying debtor and the collection of the due balance has become impossible. The implication of this; acceptance of the authority's appeal and acceptance of the taxpayer's appeal.

Document

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

Parties Defenses:

Appellant's

- 1- The taxpayer argued that the balance related to item (amounts due from customers) is from the doubtful receivables, and that he has made all efforts to collect the debt owed to the corporation (...) Since May 2015, he has filed lawsuits under which he obtained a final ruling obligating the corporation to pay (43,500,000 Riyals) and has not been able to collect the amount to date.



## The Committee's response to the defenses:



After reviewing the case file and what it contains of defenses and documents; it is clear that the taxpayer submitted a lease contract for the residential complex concluded with (...) In 2010, the tenant delayed payment and was addressed about it, and he also submitted the ruling issued to terminate the contract dated 2017 and the ruling in favor of the taxpayer to hand over the complex and implement the ruling, and the final ruling obligating the company (...) to pay the due balance and has not been able to collect the amount to date, thus it is clear from the taxpayer's situation that he has taken the necessary and available procedures to collect the amount, as the grounds for his inability to collect the amount are beyond his control and not due to negligence on his part, and since the principle is that all debts are not deducted from the zakat base unless it is proven that this debt is uncollectible; it is clear that the debt is on a delaying debtor and the collection of the due balance has become impossible, which leads the circuit to accept the taxpayer's appeal and cancel the decision of the division regarding this item.

## Decision:

- 1- Acceptance of the appeal procedurally from the taxpayer/ (...), commercial registration (...), unique number (....) And the appeal submitted by the Zakat, Tax and Customs Authority, against the decision of the second division regarding violations and disputes of income tax in Riyadh with number (ISR-2022-1804) issued in case number (Z-72656-2021) related to the zakat assessment for the years 2016 and 2018.
- 2- On the Merits:
  - 1- Acceptance of the authority's appeal and cancellation of the decision of the division regarding item (amounts due to government entities for the years 2016 and 2018).
  - 2- Rejection of the taxpayer's appeal and upholding the decision of the division regarding item (salary differences for the year 2018).
  - 3- Acceptance of the taxpayer's appeal and cancellation of the decision of the division regarding item (amounts due from customers for the years 2016 and 2018).
  - 4- Rejection of the taxpayer's appeal and upholding the decision of the division regarding item (related parties with debts for the years 2016 and 2018).



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No IR-2024-178373

Case No Z-2023-178373

Keywords:

Zakat – Elements of deduction from the zakat base – zakat base for foreign investments – acceptance of the taxpayer's appeal

Summary:

The taxpayer's objection to the decision of the first division regarding violations and disputes of income tax in Riyadh number (IFR-2022-2485), where his appeal lies in item (the zakat base for foreign investments for the year 2018) as he objects that zakat on long-term foreign investments is on the profit and not the principal investment, and item (lands and properties registered in the name of the partner for the years 2017 and 2018) as he claims to have submitted supporting documents for the transfer of ownership. And where the appellate committee established the permissibility of deducting the assets in the name of the partners from the zakat base, provided that these assets are used in the activity with proof submitted, and since the dispute over this item is a documentary dispute, and after reviewing the case file and the documents it contains, it appears that the taxpayer has submitted the lease contract for the villa, a property inventory, and a copy of the ownership deeds, and where the transfer of ownership to the company has been proven ... (the taxpayer). Regarding the item (the zakat base for foreign investments for the year 2018), the taxpayer submitted the financial statements of the company for the disputed year 2018 and the invested company, as well as the calculation issued by a certified accountant for the zakat due on foreign investments. Consequently; the taxpayer's appeal is accepted and the decision of the division is canceled.

Document



- Paragraph (4. 2) of Article (4) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.



## Parties Defenses:

### Appellant's

- 1- The taxpayer argued that the company did not provide information regarding the passage of the year on the balances due to the lack of legal requirements for that in the country of investment.
- 2- The taxpayer argued that the company provided the audited financial statements for the investor as well as the approved zakat calculation from the certified accountant.

## The Committee's response to the defenses:

Based on paragraph (4/b) of item (second) of Article (4) of the executive regulations for zakat collection issued by Ministerial Decision No. (2082) dated 1/6/1438 AH, which states: "The following shall be deducted from the zakat base:" Investments in establishments outside the Kingdom - in partnership with others - provided that the taxpayer includes in their zakat declaration the zakat due on these investments according to the rules stipulated in these regulations and submits them to the authority, along with audit accounts from a certified accountant in the country of investment, approved by the official authorities; if they do not comply with calculating and submitting the zakat accordingly, it will not be deducted from the zakat base. Based on the above, and where the taxpayer has the right to deduct foreign investment from their zakat base, provided that they comply with what is stated, which is to submit to the authority audit accounts from a certified accountant in the country of investment, in order to calculate the zakat due on these investments and submit it to the authority, and then deduct those investments from the invested company's base to avoid zakat evasion, and since the dispute over this item is a documentary dispute, and it has become clear that the taxpayer has submitted the financial statements of the company for the disputed year 2018 and the invested company, as well as the calculation issued by a certified accountant for the zakat due on foreign investments, which leads the circuit to accept the taxpayer's appeal and cancel the decision of the adjudication circuit regarding this item.

## Decision

1- Acceptance of the appeal procedurally from the taxpayer / Company ..., Commercial Registration (...), Unique Number (...) And the appeal submitted by the Zakat, Tax and Customs Authority, against the decision of the first circuit for adjudicating violations and disputes of income tax in Riyadh with number (IFR-2022-2485) issued in case number (Z-80471-2021) related to the zakat assessment for the years 2017 and 2018.

2- On the Merits:



- 1- Accepting the withdrawal of the lawsuit regarding the authority's appeal on the item (the piece of land registered in the name of the partners for the year 2018).
- 2- Rejecting the authority's appeal and upholding the decision of the adjudication circuit regarding the item (real estate investments for the year 2018).
- 3- Accepting the taxpayer's appeal and canceling the decision of the adjudication circuit regarding the item (the zakat base for foreign investments for the year 2018).
- 4- Rejecting the taxpayer's appeal and upholding the decision of the adjudication circuit regarding the item (short-term loans for the year 2017).
- 5- Rejecting the taxpayer's appeal and upholding the decision of the adjudication circuit regarding the item (investments registered in the name of the partner (Prince Mohammed University) for the years 2017 and 2018).
- 6- Accepting the taxpayer's appeal and canceling the decision of the adjudication circuit regarding the item (lands and properties registered in the name of the partner for the years 2017 and 2018).



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No IR-2024-169854

Case No Z-2023169854

Keywords:

Zakat – Elements of deduction from the zakat base – Method of deducting fixed assets, work in progress, and real estate investments from the zakat base – Accepting the authority's appeal.

Summary:

The taxpayer's objection and the General Authority of Zakat and Tax and Customs to the decision of the Third Circuit regarding violations and disputes of income tax in Riyadh number (IFR-2022-6643), where the Authority's appeal lies on the item (Method of deducting fixed assets and investments real estate) for its reliance on deducting fixed assets and real estate investments after excluding the unused ones at book value, including projects under construction, and the taxpayer's appeal lies in some items related to the zakat assessment for the year 2015. The appellate committee found that the taxpayer did not provide the necessary documents or the required details, therefore it relied on the attached financial statements that clarified the value of fixed assets in another way. Consequently, the Authority's appeal is accepted, and the taxpayer's appeal is partially accepted.

Document

- Paragraph (1) of Article (70) of the Judicial Procedures law issued by Royal Decree No. (M/1) dated 22/01/1435 AH.
- Paragraph (1) of article (4) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

Parties Defenses:

Appellant's

- 1- The Authority argued for the deduction of fixed assets after excluding unused investments in the activity, based on Article (4) of the executive regulations.



- 2- The Authority argued that it rejected the full deduction of the value of real estate investments, clarifying that the deduction only excludes the unused ones.
- 3- The Authority argued against accepting the grouping method for calculating fixed assets, emphasizing that it necessitates reprocessing depreciation schedules.
- 4- The Authority argued the validity of its procedures in adjusting net profit according to the applicable legal provisions.

### The Committee's response to the defenses:



Based on paragraph number (1) of item (Second) of Article Four of the executive regulations for collecting zakat issued by Ministerial Decision No. (2082) dated 1/6/1438 AH on: "The following shall be deducted from the zakat base: 1- Fixed assets, including the following: The net value of fixed assets (capital assets) and any payments for purchasing fixed assets, and the value of spare parts not intended for sale, provided that these assets are owned by the taxpayer – unless there is an obstacle preventing the transfer of ownership – and that they are used in the activity." Based on the above, it became clear to the circuit that the dispute is about the deduction of fixed assets, projects under construction, and investment properties, and it is evident that the Authority's action was to reject the deduction of fixed assets and investment properties and projects which amounted to (169,415,370) riyals while what was deducted by the Authority was (41,569,572) riyals, and the Authority argues that its action was to deduct the utilized assets and regarding the book assets, it was according to the book value. Upon reviewing the decision of the circuit, it became clear to it that the decision did not address fixed assets and the grounds for accepting them, and the taxpayer argued that he deducted fixed assets according to the depreciation schedule stated in the income tax system, but the decision was limited to investment properties only and that the intention is to develop them. Upon reviewing the attached documents and what the Authority argues, it is evident that the taxpayer did not provide any documents regarding the investment properties and also did not provide a schedule for calculating fixed assets that he used to calculate fixed assets according to the grouping method, in addition to not providing the financial statements through which the value of investment properties, fixed assets, and projects under construction can be verified, and the Authority pointed out that the taxpayer did not separate fixed assets and real estate investments within the depreciation schedule submitted with his declaration, thus making it impossible to separate unused real estate investments from the depreciation schedule. Accordingly, fixed assets were taken according to the financial statements, and upon reviewing the taxpayer's zakat declaration for the year 2015, it is evident from the balance sheet in the declaration that there were fixed assets amounting to (876,172) riyals at the end of the year and (968,840) riyals at the beginning of the year, not as claimed by the taxpayer, and he did not provide a detailed schedule (10) in his declaration that proves that the value of those assets is (166,265,820) riyals, and the taxpayer did not provide any data or analyses regarding the investment properties or the plans and projects that the company



intends to develop for use, which leads the circuit to accept the taxpayer's appeal and cancel the decision of the circuit regarding this item.

## Decision

1- Acceptance of the appeal procedurally, submitted by / ... Company And his sons commercial registration number (...), distinctive number (...), and the General Authority of Zakat and Tax and Customs, against the decision of the Third Circuit regarding violations and disputes of income tax in Riyadh number (IFR-2022-6643) issued in case number (Z-2021-72455) related to the zakat assessment for the year 2015.

2- Objectively:

1- The taxpayer's appeal is rejected, and the decision of the circuit regarding the item (adding a balance of accrued expenses and non-refundable guarantees for the year 2015) is upheld.

2- The taxpayer's appeal is rejected, and the decision of the circuit regarding the item (adding a balance of unrealized profits from the investment base) is upheld.

3- The taxpayer's appeal is rejected, and the decision of the circuit regarding the item (deducting foreign real estate investments) is upheld.

4- The Authority's appeal is accepted, and the decision of the circuit regarding the item (method of deducting fixed assets, works under construction, and real estate investments from the zakat base for the year 2015) is canceled.

5- The abandonment of the dispute regarding the Authority's appeal on the item (investments available for sale in listed securities for the year 2015) is accepted.



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR-2024-191417

Case No. Z-191417-2023

Keywords:

Zakat – Elements of deduction from the zakat base – Deduction of intangible assets – Acceptance of the taxpayer's appeal

Summary:

The taxpayer's objection to the decision of the First Circuit regarding violations and disputes of income tax in Jeddah number (IZJ-2023-113484) where the taxpayer's appeal lies on several items related to (non-current assets), as he requested to amend the circuit's estimates for grounds including "investments in subsidiary companies" and "intangible assets" and "advance payments for investment" and "additional financing". The appellate committee found that the taxpayer submitted a lawsuit regarding the item "non-current assets - intangible assets" to claim compensation for the amounts that were removed from its liability, clarifying that the funding for the expenses came from it, which achieves budget balance. It was also noted that rejecting the deduction of the item requires excluding a corresponding amount from equity or liabilities, which the authority did not do. This means accepting the taxpayer's appeal regarding the item "investments in subsidiaries" and the item "intangible assets", and rejecting the taxpayer's appeal regarding "advance payments for investment" and "additional financing", while upholding the initial decision.

Document

- Paragraph (4) of Article 5 of The executive regulation for Zakat collection issued by the decision of His Excellency the Minister of Finance number (2216) dated 07/07/1440 AH.
- Article 18 of The executive regulation for Zakat collection issued by the decision of His Excellency the Minister of Finance number (2216) dated 07/07/1440 AH.



## Parties Defenses:

### Appellant's

- 1- The company argued that the item of intangible assets does not relate to its investment in the company (...) for investment, which clarifies the lack of thorough examination of the case file and its attachments by the circuit.
- 2- The company argued that the disputed item relates to consulting, legal, technical fees, and other studies for the development project in downtown Jeddah, which were capitalized to contribute to the capital of the company (...) upon signing the partnership agreement.
- 3- The company argued that the partnership agreement with the company (...) was not signed up to the date of issuing the audited financial statements, making it impossible to present a founding contract that clarifies the contribution to the capital of a company that has not been signed.

### The Committee's response to the defenses:

Based on paragraph (4) of Article (5) of the executive regulations for the collection of zakat issued by the decision of His Excellency the Minister of Finance No. (2216) dated 7-7-1440 AH concerning the deductions from the zakat base on: "The following items shall be deducted from the zakat base for the taxpayer who maintains commercial books: 4-Investments in an establishment within the Kingdom for non-trading purposes, provided that such establishment is registered with the authority and is subject to zakat collection under the regulations. Leased assets in the commercial books of the lessor are not considered an investment deductible from the zakat base, regardless of their classification in the financial statements, nor are loans or additional or supportive financing or similar granted to the invested establishment considered an investment deductible from the zakat base," and based on Article (18) of the executive regulations for the collection of zakat issued by the decision of His Excellency the Minister of Finance No. (2216) dated 7-7-1440 AH which states: " The burden of proving the accuracy of what is stated in the declaration and any other data lies with the taxpayer, and if he is unable to prove the accuracy of what is stated in his declaration, the authority may refuse to approve the item that the taxpayer cannot prove its accuracy or proceed with an estimated assessment according to the authority's perspective in light of the circumstances and facts related to the case and the information available to it." Based on the above, and since it is clear that the dispute between the two parties is regarding the deduction of intangible assets, and referring to the taxpayer's appeal, it is evident that he argues that the item does not relate to its investment in the company ... for investment as the decision subject to appeal was issued, but rather consists of consulting, legal, technical fees, and other studies for the development project in downtown Jeddah and that the expenses were capitalized, in addition to the taxpayer submitting a lawsuit to the Board of Grievances to claim



compensation for those mentioned amounts which indicates that the amount has been removed from the company's liability, and since the funding for these expenses came from the taxpayer himself, which achieves the principle of budget balance since any apparent asset in it is funded from equity or liabilities included in the base, and the rejection of this item deduction requires excluding a corresponding amount from equity or liabilities, which the authority did not do, leading the circuit to accept the taxpayer's appeal and cancel the decision of the division regarding this item.

## Decision

1- Acceptance of the appeal procedurally, submitted by / ... Company , commercial registration (...), unique number (...) Against the decision of the first division for adjudicating violations and disputes of income tax in Jeddah province with number (IZJ-2023-113484) issued in case number (Z-113484-2022) related to the zakat assessment for the year 2019.

2- On the Merits:

1- Accepting the taxpayer's appeal and canceling the decision of the division regarding the item (investments in subsidiaries).

2- The taxpayer's appeal is rejected, and the decision of the adjudication committee regarding the item (non-current assets - advance payments for investment) is upheld.

3- The taxpayer's appeal is accepted, and the decision of the adjudication committee regarding the item (non-current assets - intangible assets) is canceled.

4- The taxpayer's appeal is rejected, and the decision of the adjudication committee regarding the item (additional financing) is upheld.



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR-2024-190852

Case No. Z-190852-2023

Keywords:

Zakat – Elements of deduction from the zakat base – Deduction of spare parts from the zakat base – Acceptance of the appeal by the authority.

Summary:

The objection of the Zakat, Tax, and Customs Authority to the decision of the third circuit regarding violations and disputes of income tax in Riyadh numbered (ITR-2022-6066). Where the appeal is based on the item (expenses at the beginning of the period represented by the end-of-service provision for the year 2018), confirming that the item was added twice to the zakat base, while the taxpayer claims that only the account name was changed, and the item (Deduction of spare parts from the zakat base for the year 2018) as they claim that the spare parts are used for sale purposes. And it has been established to the appellate committee that the taxpayer did not provide a detailed account statement matching the balance shown in the financial statements, clarifying the nature of the spare parts, and that the spare parts in the customs declaration have a total value different from what was declared in the financial statements. Consequently: Acceptance of the authority's appeal.

Document

- Paragraphs (1, 5, 9) of Article (4) The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.
- Paragraph (6) of Article (6) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.
- Paragraph (3) of Article (20) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.



## Parties Defenses:

### Appellant's

- 1- The authority argued that it accepts the deduction of spare parts from domestic sources only (4,094,485 riyals) as part of the inventory, while it objects to the deduction of spare parts from foreign sources and finished goods, as they are not used in the activity and are prepared for sale.

## The Committee's response to the defenses:

Based on paragraph (Second/1) of Article (4) of the executive regulations for the collection of zakat issued by Ministerial Decision No. (2082) dated 1/06/1438 AH, which stated that: "The following shall be deducted from the zakat base:" 1- Fixed assets, including the following: Net value of fixed assets (capital assets) and any payments for purchasing fixed assets, and the value of spare parts not intended for sale, provided that these assets are owned by the taxpayer – unless there is an obstacle preventing the transfer of ownership – and that they are used in the activity." Based on the above, spare parts not prepared for sale are among the items that are deducted from the zakat base, provided that their nature is proven and that they are used for the maintenance of fixed assets and not for sale purposes, and since the dispute over this item is a dispute over the committee's acceptance of the full amount, the authority states that it accepted the deduction of spare parts from domestic sources for an amount of (4,094,485) riyals only, and regarding spare parts from foreign sources for an amount of (5,520,801) riyals, the authority clarifies that they are among the imports of the year and are included in the income statement under the cost of revenues, and thus represent spare parts prepared for sale as goods, and that the company's activity consists of wholesale and retail trade in cleaning tools and supplies, electrical tools, electronic devices, household appliances, and finished goods for an amount of (6,749,796) riyals, which are not classified as spare parts. Upon reviewing the objection files before the adjudication committee, it is clear that the authority accepted the document as it is purchases of items and tools included in the activity for an amount of (4,094,485) riyals, and regarding the items not classified as spare parts and finished goods prepared for sale, which amounted to a total of (12,280,597) riyals, the authority did not accept their deduction as they are not used in the activity and are prepared for sale. Upon reviewing the financial statements, it is clear that the total amount of the objection represents inventory at the end of the period, and upon reviewing the customs printout for the taxpayer, it is clear that the purchases made from abroad amounted to (13,750,192) riyals, which is less than what was declared in the zakat declaration submitted and greater than the amount required to be deducted, and the taxpayer did not provide a detailed account statement matching the balance shown in the financial statements clarifying the nature of the spare parts, and that the spare parts in the customs declaration have a total value different from what was declared in the financial statements, which leads the



committee to partially accept the authority's appeal and amend the decision of the adjudication committee regarding this item.

### Decision

1- Acceptance of the appeal procedurally from the Zakat, Tax, and Customs Authority against the decision of the third circuit regarding violations and disputes of income tax in Riyadh numbered (ITR-2022-6066) issued in case number (Z-47984-2021) related to the zakat assessment for the year 2018.

2- On the Merits:

1- Acceptance of the authority's appeal and cancellation of the decision of the adjudication committee regarding the item (expenses at the beginning of the period represented by the end-of-service provision for the year 2018).

2- Acceptance of the authority's appeal partially and amending the decision of the adjudication committee regarding the item (deduction of spare parts from the zakat base for the year 2018).



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR-2024-178620

Case No. Z- 2023-178620

Keywords:

Zakat – Elements of deduction from the zakat base – Non-deduction of the solvency margin from the zakat base – Rejection of the taxpayer's objection.

Summary:

The taxpayer's objection to the zakat assessments for the years 2015 to 2018. Where the taxpayer's objection lies on several items including: The item (addition of surplus distributions due for the years 2015-2016) and where the dispute between the taxpayer and the authority is in adding the accumulated surplus from the distributable insurance operations to the zakat base for the aforementioned two years, and where the principle in allowing the deduction of the distributable surplus is to provide proof of its exit from the company's liability in a separate account that the company does not have authority over. In the item (non-deduction of the full value of investments), the authority rejected the deduction of local investments, trading portfolios, and real estate of various values as they are for personal use. In the item (non deduction of margin of solvency) it lies in the request of the taxpayer to deduct the solvency margin from the zakat base as it is considered as reserved funds that cannot be disposed of. And since it has been established to the circuit regarding the item (adding due surplus distributions) that the taxpayer did not attach what proves his retention of the insurance surplus related to policyholders in a separate account, and regarding the item (non-deduction of the full value of investments) that the taxpayer did not provide the movement on the shares to prove the absence of sale movements during the year to prove that it is for personal use and that the investment in the funds invested is considered as commercial offerings and cannot be deducted from the zakat base, and regarding the item (non-deduction of the solvency margin) that the solvency margin is an operational ratio that cannot in any case be classified as one of the items of financial statements but is an analytical ratio used to judge the company's solvency. The implication of that; rejection of the taxpayer's objection.



## Document

- Zakat, Tax and Customs Committees Regulations issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Paragraph (1, 4) of Article (4) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.
- Paragraph (3) of Article (20) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

## Parties Defenses:

### Appellant's

- 1- The taxpayer argued that the margin is considered as reserved funds that cannot be disposed of and must be deducted according to the Sharia and regulatory provisions.

## The Committee's response to the defenses:

According to the regulations of the Monetary Authority and according to Fatwa No. (12756) regarding funds that cannot be disposed of, as reserved funds are not subject to zakat, and since the principle of zakat obligation is the general rules of collection and what has been issued in this regard from Sharia fatwas, as well as zakat collection systems, commercial offerings, and interpretive circulars. Regarding the claim that the company's hand is tied regarding the solvency margin, this claim is incorrect, as it does not exceed the fact that the Saudi Central Bank has specified certain investment channels and tools for these companies for the purpose of preserving the rights of shareholders, and building reserves to support the company's financial position and achieve the required solvency margin according to the Cooperative Insurance Companies Control System and its executive regulations, and it is known that the solvency margin is an operational ratio that cannot in any case be classified as one of the items of financial statements but is an analytical ratio used to judge the company's solvency, which leads the circuit to reject the plaintiff's objection and support the defendant's action regarding this item.



## Decision

1- Acceptance of the plaintiff's objection/ Company ... , Commercial Registration No. (...), against the decision of the defendant/ Zakat, Tax and Customs Authority from a procedural perspective.

2- On the Merits:

1- Proving the end of the dispute regarding the item (consumption difference for the year 2015).

2- Proving the end of the dispute regarding the item (retained earnings balance for the year 2017).

3- Rejection of the plaintiff's objection regarding the item (adding the zakat provision for the years from 2015 to 2017).

4- Rejection of the plaintiff's objection regarding the item (adding due surplus distributions for the years 2015-2016).

5- Regarding the item (non-deduction of the full value of investments for the years from 2015 to 2018):

A - Rejection of the plaintiff's objection regarding the item (investments in trading shares (local companies).

B - Rejection of the plaintiff's objection regarding the item (investments in funds).

C - Proving the end of the dispute regarding the item investment in (Company ... for insurance services - valued at 1,923,078 Riyals).

6 - Rejection of the plaintiff's objection regarding the item (non-deduction of the solvency margin from the zakat base for the years 2015-2017).

7 - The plaintiff's objection regarding the item (the user not being deducted from the allocations for the year 2015) is rejected.

The judgment has become final due to the expiration of the objection period in accordance with paragraph (2) of Article (33) of the rules of operation of the Zakat and Tax Committees..



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR-2024-153019

Case No. Z-2022-153019

Keywords:

Zakat - Elements of deduction from the zakat base - Foreign investments - Acceptance of the authority's appeal - Acceptance of the taxpayer's appeal.

Summary:

The taxpayer's objection and the Zakat, Tax and Customs Authority's objection to the decision of the first circuit regarding violations and disputes of income tax in Dammam City number (IZD-2022-1632), where the taxpayer's appeal is based on the authority's decision regarding the item (Murabaha and Tawarruq financing) where the taxpayer confirmed that the authority relied on incorrect assumptions in calculating revolving loans, clarifying that Murabaha and Tawarruq financing are long-term financing and not revolving, and that they were paid during the first half of the year. The authority's appeal regarding the item (<3>foreign investments) in the taxpayer's submission of the zakat account does not agree with the authority. And since the appellate committee has established that the taxpayer attached the financial statements of the company (...) (...) Company In English, and since the authority accepted the deduction of foreign investments (...) (...) Company (...) Company (...) To submit the financial statements, it must accept the financial statements mentioned above. This means; partially accepting the authority's appeal and amending the decision of the circuit regarding the deduction of investments in the following companies ( ... ) in exchange for adding the taxpayer's share of the zakat base for these investments in the amount of (213,927,240) riyals, and accepting the taxpayer's appeal regarding the item (Murabaha and Tawarruq financing).

Document

- Article (4/5) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.
- Article (20/3) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.



## Parties Defenses:

### Appellant's

- 1- The authority argued that the taxpayer deducted the user from the allocations from the net profit while the correct treatment is to deduct the user from the allocation from the beginning balance based on paragraph (9) item one of Article Four of the executive regulations.
- 2- The authority argued that the taxpayer did not add the balance of the guarantee provision transferred from the accrued expenses which has completed a year, which is an important item within the zakat base accounts.
- 3- The authority argued that the taxpayer did not present the movement of items completely, as the beginning or end balance was added, whichever is lower, according to paragraph (5) item one of Article Four of the executive regulations.
- 4- The authority argued that the deferred tax assets deducted by the taxpayer are not considered among the items deducted from the zakat base according to Article Four of the executive regulations.
- 5- The authority argued that the taxpayer's deduction for the item of tools, supplies, and long-term spare parts cannot be accepted because the authority could not match this item with the submitted financial statements, which means there is doubt about the validity of this deduction.

### The Committee's response to the defenses:

Based on what is stated in the ministerial decision number (1005) mentioned above, the taxpayer is entitled to deduct foreign investment from its zakat base provided that it adheres to what is stated therein, which is to submit audited accounts from a certified public accountant in the country of investment, in order to calculate the zakat due on these investments and remit it to the authority, or provide proof of paying zakat on it in the country of investment, and then deduct those investments from the base of the investing company to avoid zakat, and if the mentioned documents are not submitted, those investments will not be deducted from its zakat base, and since the dispute ended with amending the authority's procedure regarding the deduction of foreign investments for the companies mentioned above and not accepting the deduction of investment for the two companies (... and (...)) for not submitting the financial statements and calculating the zakat, and upon reviewing the case file and what it contained of defenses and documents, it appears that the taxpayer attached the financial statements of the company (...) (...) Company In English, and since the authority accepted the deduction of foreign investments (...) (...) Company (...) Company (...) To submit the financial statements, it must accept the financial statements mentioned above, and regarding



the calculation of zakat for the company (...). It appears that the taxpayer calculated the deduction of the user from the allocations from the net profit while the correct treatment is to deduct the user from the allocation from the beginning balance, and the taxpayer did not add the balance of the guarantee provision transferred from the accrued expenses which has completed a year, the taxpayer did not add the liabilities that have completed a year and where the accounts payable and receivables and other credit balances are considered components of the zakat base, and the taxpayer submitted an Excel statement of the movement prepared manually which cannot be accepted, thus the beginning or end balance is added, whichever is lower, in addition, the taxpayer deducted the deferred tax assets amounting to (445,410) riyals as they are not among the items deducted from the base, and the taxpayer deducted the item of tools, supplies, and long-term spare parts amounting to (1,505,093) riyals and the circuit could not match the item with the submitted financial statements, thus it appears that the calculation of zakat submitted by the taxpayer amounting to (2,118,972) Saudi riyals is incorrect, while the calculation of zakat submitted by the authority amounting to (3,953,266) Saudi riyals is correct, which leads the circuit to partially accept the authority's appeal and amend the decision of the circuit regarding this item by deducting investments in the following companies ( ... ) in exchange for adding the taxpayer's share of the zakat base for these investments in the amount of (213,927,240) riyals.

## Decision

1- Accepting the appeal procedurally from the taxpayer / Company ... Commercial register (...), unique number (...), and the Zakat, Tax and Customs Authority, against the decision of the first circuit regarding violations and disputes of income tax in Dammam with number (IZD-2022-1632) issued in case number (40494-2021-Z) related to the Zakat assessment for the year 2014.

2- Objectively:

1- The authority's appeal is rejected and the taxpayer's appeal is accepted partially, and the decision of the circuit is amended regarding item (Murabaha and Tawarruq financing).

2- The authority's appeal is accepted, the decision of the circuit is canceled, and the taxpayer's appeal is rejected regarding item (short-term loans).

3- The taxpayer's appeal is rejected and the authority's appeal is accepted partially, and the decision of the circuit is amended regarding item (foreign investments).

4- The taxpayer's appeal is rejected and the decision of the circuit is upheld regarding item (estimated profit on import differences).

5- The taxpayer's appeal is rejected and the decision of the circuit is upheld regarding item (amounts due to related parties).



6- The taxpayer's appeal is rejected and the decision of the circuit is upheld regarding item (advances from customers).



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR-2024-191197

Case No. ZI-2023-191197

Keywords:

Zakat - Elements of deduction from the Zakat base - investment at fair value - acceptance of the taxpayer's appeal

Summary:

The taxpayer's objection to the decision of the third circuit regarding violations and disputes of income tax in Riyadh number (IFR-2023-600), where his appeal lies on item (investments at fair value through profit or loss for the years 2018 and 2019) is that two essential conditions must be met for considering investments as liquid assets that can be deducted from the Zakat base, which are the documented intention from the authorized person clarifying the intention of the investment, and the absence of any sales transactions during the year on those investments. And it has been established to the appellate committee that the fund ... (not registered in Zakat), and the fund has a financial independence from the issuing investment entity, and the taxpayer has submitted the financial statements of the fund and its Zakat calculation. Consequently; the taxpayer's appeal is accepted partially and the decision of the circuit is amended to accept the deduction of the investment after the authority calculates the Zakat for the fund and the taxpayer pays the Zakat.

Document

- Article (4/4) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.
- paragraphs (4,5) of Article (5) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.



## Parties Defenses:

### Appellant's

- 1- The taxpayer argued for the deduction of investments on the basis that they are cash outflows, emphasizing the company's intention to retain them as long-term investments without any sales transactions on them.
- 2- The taxpayer argued that the invested fund is not registered in Zakat and has a financial independence from the issuing entity.

## The Committee's response to the defenses:

Based on paragraph (4/A) of Article (4) of the executive regulation for Zakat collection issued by ministerial decision number (2082) dated 1/6/1438 AH on: "Investments in establishments within the Kingdom - participation with others - if those investments are subject to Zakat collection under this regulation, if the investment in those establishments is not subject to collection, it cannot be deducted from the base", and based on paragraph (4) of Article (5) of the executive regulation for Zakat collection issued by the Minister of Finance number (2216) dated 7/7/1440 AH which stated: "Investments in an establishment within the Kingdom for non-trading purposes, if that establishment is registered with the authority, and is subject to Zakat collection under the regulation. And leased assets are not considered financial investments in the commercial books of the lessor that can be deducted from the Zakat base regardless of their classification in the financial statements, nor are loans or additional financing or similar granted to the invested establishment considered investments that can be deducted from the Zakat base", based on the above, and since two essential conditions must be met for considering investments as liquid assets that can be deducted from the Zakat base, which are the documented intention from the authorized person clarifying the intention of the investment, and the absence of any sales transactions during the year on those investments, and since the fund ... (Not registered for Zakat), and the fund has a financial independence from the issuing investment entity, and since the taxpayer submitted the financial statements of the fund and calculated the Zakat (attached 2), it is necessary for the circuit to accept the taxpayer's appeal partially and amend the decision of the Appeals Department to accept the investment deduction after the authority calculated the Zakat for the fund and the taxpayer paid the Zakat.



## Decision

1- Acceptance of the appeal procedurally, submitted by / ... Company Commercial registration (...), unique number (...) Against the decision of the third circuit for adjudicating violations and disputes of income tax in Riyadh with number (IFR-2023-600) issued in case number (ZI-2021-67494) related to the Zakat assessment for the years 2018 and 2019.

2- On the Merits:

1- Regarding the taxpayer's appeal on the item (investments at fair value through profit or loss for the years 2018 and 2019):

A- Accepting the taxpayer's appeal partially and amending the decision of the Appeals Department regarding the item (investments within the Kingdom).

B- Accepting the taxpayer's appeal and canceling the decision of the Appeals Department regarding the item (foreign investments).

2- Rejecting the taxpayer's appeal and upholding the decision of the Appeals Department regarding the item (share in the net losses of the subsidiary company).

3- Rejecting the taxpayer's appeal and upholding the decision of the Appeals Department regarding the item (provision for losses of a subsidiary company).

4- Rejecting the taxpayer's appeal and upholding the decision of the Appeals Department regarding the item (difference in social insurance).

5- Rejecting the taxpayer's appeal and upholding the decision of the Appeals Department regarding the item (gift expenses).



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR-2024-170532

Case No. Z-2023-170532

Keywords:

Zakat – Elements of deduction from the Zakat base – foreign investments in financial assets at fair value –  
Accepting the taxpayer's appeal

Summary:

The taxpayer's objection to the decision of the first circuit for adjudicating violations and disputes of income tax in Jeddah number (IZJ-20222-477) for the year 2019, where his appeal lies in several items including (rejection of the deduction for foreign investments in financial assets at fair value) in considering investments in financial assets at fair value made outside the Kingdom as a deduction from the Zakat base amounting to (318,629,915) Saudi Riyals. And it has been established to the appellate committee that the taxpayer attached the financial statements of the invested company and provided proof of payment for the due Zakat, and submitted a limited assurance report from a certified accountant regarding the calculation of Zakat for companies invested in outside the Kingdom, but upon reviewing the attachments, it became clear that the Zakat paid according to the attached calculation relates to the investment in the company ... – Bahrain for an amount of (105,439,323) Riyals only. This means; accepting the taxpayer's appeal partially and amending the decision of the Appeals Department by accepting the investment deduction in the company ... for an amount of (105,439,323) Riyals only, with the authority's right to verify the accuracy of the attached Zakat calculation.

Document

- Article (5/5) of The executive regulation for Zakat collection issued by the decision of His Excellency the Minister of Finance number (2216) dated 07/07/1440 AH.



## Parties Defenses:

### Appellant's

- 1- The taxpayer argued that the non-acceptance of the deduction for foreign investments was due to the lack of a certificate from a certified accountant and the non-payment of Zakat for it, and indicated that he is in the process of obtaining the certificate soon.
- 2- The taxpayer argued that he attached the documents related to the declared investments within the fair value through profit or loss.
- 3- The taxpayer argued based on the appellate decisions number (IR-2022-208 and IR-2021-332) to support his position on the deduction.

### The Committee's response to the defenses:

Based on paragraph (5) of Article (5) of the executive regulation for the collection of zakat issued by Ministerial Decision No. (2216) dated 7/7/1440 AH, which states: "The following items shall be deducted from the zakat base for the taxpayer who maintains commercial books:" 5- Investments in an establishment outside the Kingdom for non-trading purposes, provided that the taxpayer pays zakat on these investments to the authority based on a certificate prepared in accordance with the provisions of the regulation and approved by a licensed accountant in the Kingdom, with the minimum zakat base for these investments being the taxpayer's share of the net accounting profit stated in the financial statements of these investments, whether the profit is distributed or not. If the taxpayer fails to calculate and pay zakat accordingly, these investments shall not be deducted from the zakat base." Therefore, since the taxpayer is requesting the recognition of investments in financial assets at fair value made outside the Kingdom as a deduction from the zakat base amounting to (318,629,915) Saudi Riyals, while the taxpayer attached the financial statements of the invested company and provided proof of payment for the due zakat, and submitted a limited assurance report from a licensed accountant regarding the calculation of zakat for the companies invested in outside the Kingdom, it was found upon reviewing the attachments that the zakat paid based on the attached calculation relates to the investment in the company ... – Bahrain for an amount of (105,439,323) Riyals only, which leads the circuit to partially accept the taxpayer's appeal and amend the decision of the Appeals Department by accepting the deduction of the investment in the company ... for an amount of (105,439,323) Riyals only, with the authority's right to verify the accuracy of the attached Zakat calculation.



## Decision

1- Accepting the appeal procedurally from the taxpayer / Company ... Commercial register (...) , unique number (...) , against the decision of the first circuit for adjudicating tax violations and disputes in Jeddah Province with number (IZJ-20222-477) issued in case number (Z-202168787-) related to the zakat assessment for the year 2019.

2- On the Merits:

1- Partially accepting the taxpayer's appeal and amending the decision of the Appeals Department regarding item (investments in financial assets at fair value - foreign).

2- Regarding the taxpayer's appeal on the item (non-recognition of investment in some subsidiary and associated companies):

A- Accepting the taxpayer's appeal and canceling the decision of the Appeals Department regarding (Company... for investment).

B- Accepting the taxpayer's appeal and canceling the decision of the Appeals Department regarding (Company...).

C- Rejecting the taxpayer's appeal and upholding the decision of the Appeals Department regarding (Company... Limited).

D- Rejecting the taxpayer's appeal and upholding the decision of the Appeals Department regarding (... for investment and Company ... for investment).

3- Rejecting the taxpayer's appeal and upholding the decision of the Appeals Department regarding item (short-term loans).

4- Rejecting the taxpayer's appeal and upholding the decision of the Appeals Department regarding item (non-recognition of the claim for deduction of unrealized profit from financial assets at fair value through profit or loss from adjusted profit).

5- Accepting the taxpayer's appeal and canceling the decision of the Appeals Department regarding (real estate investments (investments in land) not recognized).

6- Rejecting the taxpayer's appeal and upholding the decision of the Appeals Department regarding item (zakat provision).

7- Rejecting the taxpayer's appeal and upholding the decision of the Appeals Department regarding item (adding profits from re-measuring the end-of-service benefits provision).

8- Rejecting the taxpayer's appeal and upholding the decision of the Appeals Department regarding item (non-recognition of value-added tax expense).

9- Rejecting the taxpayer's appeal and upholding the decision of the Appeals Department regarding item (revenue from dividends from listed companies).



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR-2024-136156

Case No. Z-2022-136156

Keywords:

Zakat – Elements of deduction from the zakat base – Investments available for sale – Acceptance of the taxpayer's appeal

Summary:

The taxpayer's objection to the decision of the first circuit regarding violations and disputes of income tax in Jeddah with number (IZJ-2022-910), where his appeal on the item (additional capital for the year 2014) is based on the fact that the condition of the passing of a year was not met as the partners in the company during 2014 withdrew part of the beginning of the year balance in cash from the additional capital, and the item (investments available for sale for the year 2014) is that the investments are the value of shares of Bank (...). It is a bank registered with the authority and has previously been subject to zakat within its zakat declarations. And since it has been established to the appellate committee that the intention of the authorized person is to consider the disputed investment as a capital asset, as for what the authority referred to before the committee that issued the decision regarding the existence of a sale process, the burden of proof falls on the authority to provide the documents it reviewed, and since it did not provide its response. This means; accepting the taxpayer's appeal and canceling the decision of the adjudicating circuit.

Document

- Paragraph (1) of article (4) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.



## Parties Defenses:

### Appellant's

- 1- The taxpayer submitted the board of directors' decision held in 2014 stating that the purpose of owning shares of Bank (...) is to retain them and not to use them for speculation as they are considered long-term investments.

## The Committee's response to the defenses:

The taxpayer's appeal is that the investments are the value of shares of Bank (...). It is a bank registered with the authority and has previously been subject to zakat within its zakat declarations, and based on paragraph (4/A) of Article (4) of the executive regulation for zakat collection issued by Ministerial Decision No. (2082) dated 1/6/1438 AH which stated that: "Investments in establishments within the Kingdom – in partnership with others – if those investments are subject to zakat collection under this regulation, if the investment in those establishments is not subject to collection, it shall not be deducted from the base." Therefore, based on the above, and since it is necessary to meet two essential conditions to consider investments as capital assets that can be deducted from the zakat base, which are the documented intention of the authorized person clarifying the intention of the investment, and the absence of sales transactions during the year on those investments, and upon reviewing the case file, it became clear to the circuit that the taxpayer submitted a stock donation agreement from the partner (...) and the partner (...) for the appellant company and the agreement included in one of its clauses that the first and second parties (the relinquishing partners) advise the third party (the appellant company) not to trade the relinquished shares, and the taxpayer submitted the board of directors' decision held in 2014 that the purpose of owning shares of Bank (...) is to retain them and not to use them for speculation as they are considered long-term investments, and it became clear to the circuit the intention of the authorized person to consider the disputed investment as a capital asset, as for what the authority referred to before the committee that issued the decision regarding the existence of a sale process, the burden of proof falls on the authority to provide the documents it reviewed, and since it did not provide its response, which leads the circuit to accept the taxpayer's appeal and cancel the decision of the circuit regarding this item.



## Decision:

1- Accept the appeal procedurally from the taxpayer/company (...) Commercial Registration No. (...), Unique No. (...), against the decision of the first division regarding violations and disputes of income tax in Jeddah with number (910-2022-IZI) issued in case No. (Z-2021-34984) related to the zakat assessment for the year 2014.

2- Objectively:

1- Accept the taxpayer's appeal and cancel the decision of the division regarding item (additional capital for the year 2014).

2- Accepting the taxpayer's appeal and canceling the decision of the circuit regarding the item (real estate investments – Tower ... for the year 2014).

3- Reject the taxpayer's appeal and uphold the decision of the division regarding item (real estate investments under construction and development (Tower ...) for the year 2014).

4- The taxpayer's appeal is rejected, and the decision of the adjudication committee regarding the item (investments in investment funds (fund...)) is upheld. for the year 2014).

5- The taxpayer's appeal is accepted, and the decision of the adjudication committee regarding the item (available-for-sale investments for the year 2014) is canceled.



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR-2024-177917

Case No. Z-2023-177917

Keywords:

Zakat – Elements of deduction from the zakat base – Long-term investments – Acceptance of the taxpayer's appeal.

Summary:

The taxpayer's objection to the decision of the third circuit regarding violations and disputes of income tax in Riyadh number (IFR-2022-6887), where his appeal lies on item (Long-term investments) to contest the authority's action of excluding the deduction of the item, and that the mentioned investments include lands registered in the company's name, intended for ownership and use in the activity. The appellate committee found that the taxpayer classified these investments in his financial statements and attached the ownership deeds, and that his activity consists of transporting and distributing water, thus these lands are used as parking lots for water transport and distribution vehicles. It is clear that the existence of these lands is for the purpose of monitoring the taxpayer's activity, and the basis for the authority's rejection was due to the lack of documentary evidence of land ownership and the nature of those investments. This means; accepting the taxpayer's appeal and canceling the decision of the adjudicating circuit.

Document

- Paragraph (2,1) of Article (4) of the executive regulation for collecting zakat issued by the decision of His Excellency the Minister of Finance number (2082) dated 01/06/1438 AH.

Parties Defenses:

Appellant's

- 1- The taxpayer argued that the item consists of five shares in lands registered in the name of the company ... and are not registered for trading purposes, as the balance on 31/12/2015 amounted to 16,175,290 riyals compared to the year ending 31/12/2014 with a balance of 12,973,727 riyals; indicating that the land balance has increased, and this increase confirms that these lands are used for the company's purposes and activities and not for trading.



## Appellee's (Authority's)

The authority argued that in the response email to its inquiry about clarifying the nature of long-term investments and their purpose, the taxpayer stated that they are real estate contributions purchased for the purpose of (profit), which confirms the nature of these investments as being for trading and not for ownership.

## The Committee's response to the defenses:



Based on paragraph (Second/1) of Article (4) of the executive regulation for collecting zakat issued by ministerial decision number (2082) dated 1/06/1438 AH, it states: "The following shall be deducted from the zakat base:" 1- Fixed assets, including the following: The net value of fixed assets (ownership assets) and any payments for purchasing fixed assets, and the value of spare parts not intended for sale, provided that these assets are owned by the taxpayer – unless there is an obstacle preventing the transfer of ownership – and that they are used in the activity", and based on paragraph number (1) of item (Second) of Article four of the executive regulation for collecting zakat issued by ministerial decision number (2082) dated 1/6/1438 AH on: "The following shall be deducted from the zakat base:" 2- The taxpayer's capital projects under construction which are being established for the purpose of using them in the activity and not for the purpose of selling them", and since the taxpayer submitted a supplementary memorandum dated 05/12/2024 and also provided additional documents for the disputed item, and since the taxpayer argues that the lands indicated in the financial statements are intended for ownership and use in the company's activity, as the company's activity is transporting and distributing water, and these lands are used to store equipment for desalination and maintenance, and maintenance of vehicles used in the activity is done on these lands, and the taxpayer attached a copy of the deeds, while the authority rejected the taxpayer's objection for not providing documentary evidence of land ownership and ownership deeds with a statement of the nature of long-term investments and their purpose, and since the taxpayer classified these investments in his financial statements, and attached ownership deeds, and since the taxpayer's activity consists of transporting and distributing water, thus these lands are used as parking lots for water transport and distribution vehicles, and it is clear that the existence of these lands is for the purpose of monitoring the taxpayer's activity, and the basis for the authority's rejection was due to the lack of documentary evidence of land ownership and the nature of those investments, which necessitates the circuit to accept the taxpayer's appeal and cancel the decision of the circuit regarding item (Long-term investments).

## Decision:

1- Acceptance of the appeal procedurally, submitted by / ... Company Commercial registration (...), unique number (...) Against the decision of the third circuit regarding violations and disputes of income tax in



Riyadh number (IFR-2022-6887) issued in case number (Z-2021-60945) related to the zakat assessment for the year 2015.

2- On the Merits:

Accept the taxpayer's appeal and cancel the decision of the circuit regarding item (Long-term investments).



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR-2024-170804

Case No. Z-2023-170804

Keywords:

Zakat – Elements of deduction from the zakat base – Investments in subsidiary and associated companies  
– Accept the taxpayer's appeal

Summary:

The taxpayer's objection to the decision of the third circuit regarding violations and disputes of income tax in Riyadh number (IFR-2022-6628), where his appeal lies on item (Investments available for sale for the year 2019 - Company ... -), considering that there has been no sale movement on the investment since 2011 until 2019, which means that the purpose of the investment is for ownership, and item (Investments in subsidiary and associated companies) as he mentioned that there is no zakat due since he has a negative zakat base, confirming the correctness of his calculation of the investments that should be deducted from the zakat base. The appellate committee found that the taxpayer submitted the financial statements for the year ending 31 December 2019 for the invested company and also submitted the zakat calculation; therefore, the taxpayer is entitled to deduct the investment of the company (...) from his zakat base when calculating zakat on the taxpayer's share in this investment according to his financial statements. Consequently, the taxpayer's appeal is accepted, and the decision of the adjudication committee regarding this item is canceled.

Document

- Paragraph (5. 4) of Article (5) of The executive regulation for Zakat collection issued by the decision of His Excellency the Minister of Finance number (2216) dated 07/07/1440 AH.

Parties Defenses:

Appellant's

- 1- The taxpayer argued that he submitted the financial statements for the year 2019 and the zakat calculation, confirming his compliance with the requirements of paragraph (Second/b) of Article four of the zakat regulation.



- 2- He argued that there is no zakat due since his zakat base is negative.
- 3- The taxpayer argued the correctness of his calculation of the investments that should be deducted from the zakat base, relying on the investment summary included in statement number (16).

#### The Committee's response to the defenses:



His appeal lies in that he complied with all the requirements stipulated in paragraph (Second) (b) of Article four of the zakat regulation, and the taxpayer submitted the financial statements for the year 2019 and the zakat calculation, stating that there is no zakat due since he has a negative zakat base, confirming the correctness of his calculation of the investments that should be deducted from the zakat base. Whereas paragraph (5) of Article (5) of the executive regulation for the collection of zakat issued by Ministerial Decision No. (2216) dated 07/07/1440 AH states that it shall be deducted: "5- Investments in an establishment outside the Kingdom for non-trading purposes, provided that the taxpayer pays zakat on these investments to the authority based on a certificate prepared in accordance with the provisions of the regulation and approved by a licensed accountant in the Kingdom, with the minimum zakat base for these investments being the taxpayer's share of the net accounting profit stated in the financial statements of these investments whether the profit is distributed or not, and if the taxpayer does not comply with calculating and paying zakat accordingly, these investments shall not be deducted from the zakat base." Based on the above, and upon reviewing the documents submitted in the case file, and since the taxpayer submitted the financial statements for the year ending December 31, 2019, for the invested company and also submitted the zakat calculation; therefore, the taxpayer is entitled to deduct the investment of the company ... from his zakat base when calculating zakat on the taxpayer's share in this investment according to its financial statements, which leads the committee to accept the taxpayer's appeal and cancel the decision of the committee regarding this item.



## Decision:

1- Acceptance of the appeal procedurally, submitted by / ... Company Limited, commercial registration (...), unique number (...) Against the decision of the third circuit for adjudicating income tax violations and disputes in Riyadh with number (IFR-2022-6628) issued in case number (Z-84200-2021) related to the zakat assessment for the year 2019.

2- On the Merits:

1- Rejecting the taxpayer's appeal and upholding the decision of the committee regarding item (Investments in subsidiaries and associates for the year 2019 - Company ... -).

2- Accepting the taxpayer's appeal and canceling the decision of the committee regarding item (Investments in subsidiaries and associates for the year 2019 - Company ... -).

3- Accepting the taxpayer's appeal and canceling the decision of the committee regarding item (Investments available for sale for the year 2019 - Company ... -).

4- Rejecting the taxpayer's appeal and upholding the decision of the committee regarding item (Investments available for sale for the year 2019 - Bank ... -).

5- Rejecting the taxpayer's appeal and upholding the decision of the committee regarding item (Investments available for sale for the year 2019 - ... -).

6- Rejecting the taxpayer's appeal and upholding the decision of the committee regarding item (Fair value reserve for the year 2019).

7- Rejecting the taxpayer's appeal and upholding the decision of the committee regarding item (Accounts payable for the year 2019).



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR-2024-188983

Case No. Z-2023-188983

Keywords:

Zakat - Elements of deduction from the zakat base - Investment in a stock portfolio - Acceptance of the taxpayer's appeal

Summary:

The taxpayer's objection to the decision of the second circuit for adjudicating income tax violations and disputes in Riyadh with number (ISR-2022-113851), where his appeal lies on item (Long-term investments): A- Regarding (investments in funds) as they are funds that invest in purchasing real estate for the purpose of renting them and achieving regular income from leasing, B- Regarding (investments in stocks) his appeal lies in proving his intention to invest and that these stocks have been held for more than a year and most of them are ongoing to date. Whereas the appellate committee has established that the taxpayer submitted a detailed stock movement schedule in Annex No. (11) which shows that there has been no sale movement on the stocks that the taxpayer claims to deduct, confirming that the investments in stocks are intended for holding and not for sale and trading, and thus they may be deducted from the zakat base. This means; accepting the taxpayer's appeal and canceling the decision of the adjudicating circuit.

Document

- Paragraph (4) of Article (4) of the executive regulation for the collection of zakat issued by the decision of His Excellency the Minister of Finance number (2082) dated 01/06/1438 AH.

Parties Defenses:

Appellant's

- 1- The taxpayer argued that investments in the stock market are long-term investments, and he has proven his intention to invest in them.



## The Committee's response to the defenses:



Based on paragraph (4/A) of Article (4) of the executive regulation for the collection of zakat issued by Ministerial Decision No. (2082) dated 1/6/1438 AH on: "Investments in establishments within the Kingdom – Participation with others - If those investments are subject to zakat collection under these regulations, if the investment in those establishments is not subject to collection, it shall not be deducted from the base." Based on the above, and upon the circuit's review of the attached investment portfolio statement in the Authority's list, it was found that the Authority indicates a sale movement for the year 2019 on some stocks, which are: (...) Moreover, the investment in the shares of the company ... And the company... And the company ... It was excluded in the year 2020, while the attached image from the Authority in its response memorandum does not clarify the buying and selling movement as it shows the balance at the end of the period, the value of the share, and the balance of the value. Upon the circuit's review of the attached documents, it was found that the taxpayer submitted a detailed stock movement schedule in the portfolio in Appendix No. (11), which shows that there was no sale movement on the stocks that the taxpayer claims to deduct, confirming that the investments in the stocks are intended for holding and not for sale and trading, and thus they may be deducted from the zakat base, which leads the circuit to accept the taxpayer's appeal and cancel the decision of the division regarding this item.

## Decision:

- 1- Acceptance of the appeal procedurally, submitted by / ... Company Commercial registration number (...), unique number (...), and the Zakat, Tax and Customs Authority, against the decision of the second division regarding violations and disputes of income tax in Riyadh with number (ISR-2022-113851) issued in case number (Z-2022-113851) related to zakat assessments for the years 2019 and 2020.
- 2- On the Merits:
  - 1- Rejecting the Authority's appeal and upholding the decision of the division regarding item (distributable surplus for insurance policyholders for the years 2019 and 2020).
  - 2- Accepting the withdrawal of the dispute regarding the Authority's appeal on item (deferred underwriting costs for the years 2019 and 2020).
- 3- Regarding the taxpayer's appeal on item (long-term investments):
  - A- Accepting the taxpayer's appeal and canceling the division's decision regarding (investments in funds).
  - B- Accepting the taxpayer's appeal and canceling the division's decision regarding (investments in stocks).
- 4- Rejecting the taxpayer's appeal and upholding the division's decision regarding item (the carried forward balance of the withholding tax provision).



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR-2024-169938

Case No. Z-2023-169938

Keywords:

Zakat – Elements of deduction from the zakat base – government debts – Accepting the Authority's appeal

Summary:

The objection of the Zakat, Tax and Customs Authority to the decision of the third division regarding violations and disputes of income tax in Riyadh number (ITR-2022-6038), where its appeal lies on item (debts government) in that it did not allow the deduction of government debts for the year 2017 from the zakat base as this item represents receivables for the company from government entities and that the item is not one of the items that can be deducted from the base. And it has been established to the appellate committee through the legal fatwa that zakat is not obligatory on the creditor for the amounts due to him from government entities that he cannot collect due to delays from the government entities and not as a result of his negligence or failure to comply with the standards and conditions set by the government entity. Upon reviewing the case file, it became clear to the circuit that the taxpayer did not provide evidence of his claims to the government entities, and that the inability to collect the amounts due is due to the shortcomings of that entity. Consequently, the authority's appeal is accepted, and the decision of the adjudication committee is canceled.

Document

- Article (4) of the executive regulation for the collection of zakat issued by the decision of His Excellency the Minister of Finance number (2082) dated 01/06/1438 AH.

Parties Defenses:

Appellant's

- 1- The Authority argued that the appellant did not provide documents proving the validity of his claims to the government entities.



### The Committee's response to the defenses:



Based on fatwa number (23408) dated 18/11/1426 AH issued by the Permanent Committee for Scientific Research and Ifta regarding debts owed by government entities, which stated the following: "Amounts owed to a person by any government entity, if their payment is delayed for any reason from that required entity, even if the right holder is aware of it, zakat is not obligatory on him until he receives it and a year passes after its receipt, as stated in the Holy Quran:" (So fear Allah as much as you are able), and since zakat is a form of support, it is not obligatory for a person who cannot collect it and does not have any of it in their hands." Based on the above, it is clear to the committee from the above legal fatwa that zakat is not obligatory on the creditor for the amounts due to them from government entities that they cannot collect due to delays from the government entities and not due to their own negligence or failure to comply with the standards and conditions set by the government entity. Upon reviewing the case file, it became clear to the committee that the taxpayer did not provide evidence of their claims to the government entities, and that the inability to collect the due amounts is a result of the shortcomings of that entity, which leads the committee to accept the appeal of the authority and cancel the decision of the division regarding this item.

### Decision:

1- Acceptance of the appeal procedurally from the appellant, the General Authority of Zakat and Tax, against the decision of the third division regarding violations and disputes of income tax in Riyadh with the number (ITR-2022-6038) issued in case number (Z-202144289-) related to the zakat assessment for the year 2017.

2- Objectively:

1- The authority's appeal is rejected and the decision of the division regarding the item (advances from customers for the year 2017) is upheld.

2- The authority's appeal is accepted and the decision of the division regarding the item (government debts) is canceled.



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR-2024-171190

Case No. Z-2023-171190

Keywords:

Zakat – Elements of deduction from the zakat base – Delayed government debts – Acceptance of the authority's appeal – Acceptance of the taxpayer's appeal

Summary:

The taxpayer and the General Authority of Zakat and Tax object to the decision of the first division regarding violations and disputes of income tax in Jeddah with number (IZJ-2022-2569), where the authority's appeal is based on the item (estimated profits for unreported contracts) as it added the item of unreported contracts to the net profit during the assessment due to the lack of supporting documents. The taxpayer's appeal is based on the item (Deduction of delayed government debts) as the authority did not deduct the item of government debts amounting to (5,116,986) riyals from the zakat base for the year 2018, and it is indicated that all supporting documents are attached, represented by the analytical statement of those debts and the official letters for the collection of the debt, and it was clarified that the amounts are dues for the company from government entities from years before 2010 until the year 2017. It has been established to the appellate committee that the taxpayer provided an analytical statement of the delayed debts from before 2010 until 2017 and also provided official correspondence to the entities requesting those debts, represented in (Prince Mohammed bin Abdulaziz Hospital – King Fahd Medical City), and it is clear from the taxpayer's situation and the documents submitted that the item represents a debt on a solvent person that cannot be collected, and the reason is not due to the taxpayer but rather due to the delay of the entity and not due to any negligence on their part. The result of that; acceptance of the authority's appeal and acceptance of the taxpayer's appeal.

Document

- Paragraph (1) of Article (70) of the Executive Regulations of the Sharia Procedure Law issued by the Minister of Justice Decision No. (39933) dated 19/05/1435 A.H.



## Parties Defenses:

### Appellant's

- 1- The taxpayer argued that the amounts are dues for the company from government entities from years before 2010 until 2017, and emphasized their attempts to collect those amounts several times without response from those entities, and thus the taxpayer requests the deduction of those debts from the zakat base of the company for the year 2018.

### The Committee's response to the defenses:

The basis of their appeal is that the authority did not deduct the item of government debts amounting to (5,116,986) riyals from the zakat base for the year 2018, and it is indicated that all supporting documents are attached, represented by the analytical statement of those debts and the official letters for the collection of the debt, and it was clarified that the amounts are dues for the company from government entities from years before 2010 until 2017, and they emphasized their attempts to collect those amounts several times without response from those entities. The fatwa number (23408) dated 18/11/1426 AH issued by the Permanent Committee for Scientific Research and Ifta regarding the debts owed by government entities stated the following: "Amounts owed to a person by any government entity, if their payment is delayed for any reason from that required entity, even if the right holder is aware of it, zakat is not obligatory on him until he receives it and a year passes after its receipt, as stated in the Holy Quran:" (So fear Allah as much as you are able), and since zakat is a form of support, it is not obligatory for a person who cannot collect it and does not have any of it in their hands." Based on what has been presented, it is clear that the authority did not accept the deduction of delayed government debts and argues that those debts owed by government entities represent debts on a solvent person and thus zakat is due on them. The taxpayer argues that those amounts represent a debt owed by a solvent person and that those amounts cannot be collected due to the delay of that entity and not due to any negligence on their part. Upon reviewing the facts of the dispute regarding the item, it is clear that it is limited to whether it can be deducted or not and whether it represents a debt that cannot be collected or not. It is clear that the taxpayer provided an analytical statement of the delayed debts from before 2010 until 2017 and also provided official correspondence to the entities requesting those debts represented in (...), and it is clear from the taxpayer's situation and the documents submitted that the item represents a debt on a solvent person that cannot be collected, and the reason is not due to the taxpayer but rather due to the delay of the entity and not due to any negligence on their part, which leads the division to accept the taxpayer's appeal and cancel the decision of the division regarding this item.



## Decision:

1- Acceptance of the appeal procedurally from the taxpayer / Company ..., Commercial Registration (...), Unique Number (...). The appeal submitted by the General Authority of Zakat and Tax against the decision of the first division regarding violations and disputes of income tax in Jeddah with number (IZJ-2022-2569) issued in case number (Z-82235-2021) related to the zakat assessment for the year 2018.

2- On the Merits:

1 - Acceptance of the withdrawal of the dispute regarding the authority's appeal on the item (revenue differences and value-added declarations).

2 - Acceptance of the authority's appeal partially and amending the decision of the division regarding the item (estimated profits for unreported contracts).

3 - Rejection of the taxpayer's appeal and upholding the decision of the division regarding the item (estimated profits on import differences).

4 - Rejection of the taxpayer's appeal and upholding the decision of the division regarding the item (retained earnings differences).

5 - Rejection of the taxpayer's appeal and upholding the decision of the division regarding the item (other credit balances).

6 - Rejection of the taxpayer's appeal and upholding the decision of the division regarding the item (not deducting investments in the capital of foreign companies - debtor partner's account).

7 - Acceptance of the taxpayer's appeal and canceling the decision of the division regarding the item (deduction of delayed government debts).

8 - The taxpayer's appeal is rejected and the decision of the division regarding the item (deduction of advance payments to suppliers) is upheld.

9 - The taxpayer's appeal is rejected, and the decision of the division regarding item (paid expenses) is upheld.

10 - The taxpayer's appeal is rejected, and the decision of the division regarding item (employee advances) is upheld.



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR-2024-170717

Case No. Z-2023-170717

Keywords:

Zakat – Elements of deduction from the zakat base – Non-deduction of the value of investments in equity instruments – Partial acceptance of the taxpayer's appeal – Acceptance of the authority's appeal.

Summary:

The taxpayer and the Zakat, Tax and Customs Authority's objection to the decision of the first division regarding violations and disputes of income tax in Jeddah Governorate number (IZJ-2022-2691), where the authority's appeal is on item (discrepancy in retained earnings) objecting to the decision of the division that it added retained earnings by an amount representing the opening balance after deducting actuarial losses, and on item (addition of the carryover from the vacation provision) in objection to what the division decided regarding this item; as the division amended the item without stating the grounds for its amendment to the authority's decision and merely referred to the amendment of that item, and the taxpayer's appeal is on item (non deduction of the value of investments in equity instruments) in objection to what the division decided regarding this item; as it claims that the authority did not deduct any of the financial investments in equity instruments. The appellate committee found regarding item (discrepancy in retained earnings) that the authority subjected the retained earnings balance that has been due for a year, represented by the opening balance after deducting actuarial losses, and regarding item (addition of the carryover from the vacation provision) the inaccuracy of what the division concluded by amending the authority's procedure, as it became clear that there was no amendment to the authority's procedure, and regarding item (non-deduction of the value of investments in equity instruments) the committee found that there were no investment movements in some items of the declaration, which leads to; partial acceptance of the taxpayer's appeal, and acceptance of the authority's appeal.

Document

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



- Paragraph (8,5,4) of Article (4) of the executive regulation for the collection of zakat issued by the decision of His Excellency the Minister of Finance number (2082) dated 01/06/1438 AH.

### Parties Defenses:

#### Appellant's

- 1- All investments in shares of local companies are subject to zakat, which necessitates their deduction.

### The Committee's response to the defenses:

Based on paragraph (4/A) of Article (4) of the executive regulation for the collection of zakat issued by ministerial decision number (2082) dated 1/6/1438 AH on: "Investments in establishments within the Kingdom – participation with others - if those investments are subject to zakat collection under this regulation, if the investment in those establishments is not subject to collection, it shall not be deducted from the base." Based on the above, and since there must be two essential conditions for considering investments as representing capital assets and may be deducted from the zakat base, which are the documented intention of the authorized person clarifying the intention of the investment, and the absence of sales transactions during the year on those investments, and upon reviewing the case file and what it contains of defenses and documents, it appears that the authority argues against the deduction of investments due to the existence of exclusion movements according to clarification number (7) in the financial statements, indicating that the purpose of the investments is trading and not for capital purposes, and since the taxpayer argues that all investments are in shares of local companies subject to zakat collection, and that the majority of that movement is a movement for fair value adjustments and not a movement of buying and selling, and upon reviewing the attached documents in the case file, the taxpayer attached the movement of investments in the portfolio (...) and the portfolio (...), and it became clear that there was no sale movement in investments (...) in the portfolio (...). In the amount of (584,000) riyals, and that the change in the value of the shares is due to fair value adjustments, which led the division to decide to deduct this investment from the zakat base. As for the portfolio (...) It became clear that there was no sale movement on the following investments: (Al-Tayyar – Al-Tasneem – Al-Lujain – Cement Al-Madina – Cement Al-Jouf – Al-Hamadi – Dar Al-Arkan – Mobily) with a total value of (81,909,360) riyals, and since the difference in the investment balance is due to additions in investments, which led the division to decide to deduct these investments from the zakat base. As for the shares of the company (...) In the portfolio (...) It became clear that there was a substantial exclusion movement on them during the year in question, and thus they are not deducted from the zakat base, and it also became clear from the analytical statement of investments included in the taxpayer's appeal that there is an item "cash" amounting to (23,585,223) riyals



among the investments that the taxpayer requests to deduct, and since this item does not represent an investment and is not one of the deductible items, it follows that its deduction from the zakat base is not accepted, which leads the division to partially accept the taxpayer's objection by deducting investments amounting to (82,493,360) riyals and amending the decision of the division regarding this item.

### Decision:

1- Acceptance of the appeal procedurally from the taxpayer/ (...) Commercial register (...) number (...) and the appeal submitted by the Zakat, Tax and Customs Authority against the decision of the first division regarding violations and disputes of income tax in Jeddah Governorate number (IZJ-2022-2691) issued in case number (Z- 2021-50222) related to the zakat assessment for the year 2018.

2- On the Merits:

1- Acceptance of the abandonment of the dispute regarding the authority's appeal on item (discrepancy in the amount of the end-of-service provision).

2- Acceptance of the authority's appeal and cancellation of the decision of the division regarding item (addition of the carryover from the leaves provision).

3- Acceptance of the authority's appeal and cancellation of the decision of the adjudication circuit regarding the item (discrepancy in the amount of retained earnings).

4- Acceptance of the withdrawal of the dispute regarding the authority's appeal on the item (non-settlement of the full value of real estate investments).

5- Rejection of the taxpayer's appeal and affirmation of the decision of the adjudication circuit regarding the item (addition of the component from the travel ticket allocation).

6- Rejection of the taxpayer's appeal and affirmation of the decision of the adjudication circuit regarding the item (addition of the rollover from the ticket allocation).

7- Rejection of the taxpayer's appeal and affirmation of the decision of the adjudication circuit regarding the item (addition of tax deduction expenses).

8- Rejection of the taxpayer's appeal and affirmation of the decision of the adjudication circuit regarding the item (addition of late payment tax penalties).

9- Rejection of the taxpayer's appeal and affirmation of the decision of the adjudication circuit regarding the item (addition of value-added tax reverse charge expenses).

10- Rejection of the taxpayer's appeal and affirmation of the decision of the adjudication circuit regarding the item (addition of Zakat expenses).



- 11- Rejection of the taxpayer's appeal and affirmation of the decision of the adjudication circuit regarding the item (addition of vehicle violation expenses).
- 12- Rejection of the taxpayer's appeal and affirmation of the decision of the adjudication circuit regarding the item (addition of differences in calculating value-added tax).
- 13- Rejection of the taxpayer's appeal and affirmation of the decision of the adjudication circuit regarding the item (discrepancy in the amount rolled over from the end-of-service benefits allocation).
- 14- Rejection of the taxpayer's appeal and affirmation of the decision of the adjudication circuit regarding the item (addition of the rollover from the allocation for doubtful debts).
- 15- Rejection of the taxpayer's appeal and affirmation of the decision of the adjudication circuit regarding the item (the statutory reserve).
- 16- Rejection of the taxpayer's appeal and affirmation of the decision of the adjudication circuit regarding the item (addition of additional capital).
- 17- Rejection of the taxpayer's appeal and affirmation of the decision of the adjudication circuit regarding the item (addition of amounts from related parties).
- 18- Rejection of the taxpayer's appeal and affirmation of the decision of the adjudication circuit regarding the item (addition of rents received in advance).
- 19- Rejection of the taxpayer's appeal and affirmation of the decision of the adjudication circuit regarding the item (addition of other credit balances).
- 20- Acceptance of the taxpayer's appeal partially and modification of the decision of the adjudication circuit regarding the item (non-settlement of the value of investments in equity instruments).



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR-2024-178239

Case No. Z-2023-178239

Keywords:

Zakat – elements of deduction from the Zakat base – accumulated losses - acceptance of the taxpayer's appeal

Summary:

Objection of the taxpayer to the decision of the third circuit regarding violations and disputes of income tax in Riyadh number (IFR-2022-6700), where the taxpayer's appeal on the item (losses accumulated) is that the authority's procedure is incorrect due to the lack of issuance of links by the authority for previous years. The appellate committee established that the linkage issued by the authority for the year in dispute has no basis in truth, as the authority did not issue previous linkages for the taxpayer. This means accepting the taxpayer's appeal.

Document

- Zakat, Tax and Customs Committees Regulations issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Paragraph (Second/9) of Article (4) of the executive regulation for the collection of zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.
- Paragraph (3) of Article (20) of the executive regulation for the collection of zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

Parties Defenses:

Appellant's

- 1- The taxpayer argued that there is no previous linkage issued by the authority for the years before the year in dispute, and the authority did not provide evidence of issuing linkages for the previous years.



- 2- The taxpayer argued that the dispute is based on the authority's failure to issue linkages in the years 2011-2014 and 2016, while a linkage was issued for the year 2015, and the taxpayer's objection was fully accepted.

### The Committee's response to the defenses:



Based on item (Second/9) of Article (4) of the executive regulation for the collection of zakat issued by ministerial decision (2082) dated 1/06/1438 AH, which stated that: "The following shall be deducted from the zakat base:" 9- The adjusted net loss carried forward according to the authority's linkages after adding only the provisions or reserves to it, which previously reduced the loss in the year of its formation." And based on paragraph (3) of Article (20) thereof, which stated that: "The burden of proving the accuracy of what is stated in the taxpayer's zakat declaration regarding items and any other data lies with the taxpayer, and if he is unable to prove the accuracy of what is stated in his declaration, the authority may not approve the item that is not proven by the taxpayer or may conduct an estimated linkage according to the authority's perspective in light of the circumstances and facts related to the case and the information available to it," based on the above and where it is clear that the basis of the dispute in the taxpayer's claim that the authority did not issue linkages for previous years, as the taxpayer argues that the authority's action is incorrect due to the lack of issuance of linkages by the authority for previous years, as well as arguing that in 2015 the authority issued its linkage in addition to fully accepting the objection, as the linkage issued for 2015 is attached (2) and the notice of acceptance of the objection is attached (3). Upon reviewing the authority's response memorandum, which argues for its linkage according to its amended linkages, and after reviewing and studying the case file, it became clear to the committee that the linkage issued by the authority for the year in dispute has no basis in truth, as the authority did not issue previous linkages for the taxpayer, and the authority did not provide credible evidence in response to what the taxpayer mentioned in his defenses outlined above, which is evident upon reviewing its linkage for 2015, in which the authority accepted the taxpayer's objection. Therefore, the burden of proof lies with the authority, as it did not provide its response to what the taxpayer argued and credible evidence for the validity of its action, and this does not detract from what the authority argues about not accepting any new documents, which leads the committee to accept the taxpayer's appeal and annul the decision of the division regarding this item.

### Decision:

1- Acceptance of the appeal procedurally from the taxpayer/ (.....) Commercial registration number (.....), unique number (.....), against the decision of the third division for adjudicating violations and disputes of income tax in Riyadh with number (IFR-2022-6700) issued in case number (89702-2021-Z) related to the zakat linkage for the year 2017.

2- Objectively:



Accepting the taxpayer's appeal and annulling the decision of the division regarding item (accumulated losses).

This decision is considered final according to the provisions of Articles 47 and 48 of the rules of operation of the committees for adjudicating tax violations and disputes.



The committee for adjudicating tax violations and disputes  
The first division for adjudicating income tax violations and disputes  
In Jeddah Governorate

Decision No. IZD-2024-220520

Case No. Z-220520-2023

#### Keywords:

Zakat – Elements of deduction from the zakat base – Financing assets from the net general profit –  
Rejection of the taxpayer's objection

#### Summary:

The taxpayer's objection to the zakat linkage for the year 2017 issued by the Zakat, Tax and Customs Authority, and his objection is represented in item (Financing assets from the net general profit) regarding the authority's action of not accepting the deduction used in financing assets from the net general profit for the year in dispute, as he deducted fixed assets from the net profit and not the zakat base, as part of the annual profit was used to finance fixed assets, and item (reopening the linkage after the authority's approval to end the zakat position) in that the authority reopened the linkage after its approval to end the zakat position for the year in dispute, and in item (commercial accounts payable and outstanding liabilities) regarding the authority's action of not accepting the deduction as these expenses represent amounts owed to other parties and relate to ordinary commercial transactions and are classified as current liabilities in the audited financial statements of the company. And where it has been established to the committee regarding the item of financing assets from the net general profit that adding assets from the annual profits cannot be deducted from the zakat base as these assets are not considered expenses to be deducted. This means that the objection of the taxpayer is rejected.

#### Document

- Zakat, Tax and Customs Committees Regulations issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Article (70) of the Judicial Procedures law issued by Royal Decree No. (M/1) dated 22/01/1435 AH.
- Paragraph (10) of Article (4) of the executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.



- Paragraph (10) of Article (21) of the executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

### Parties Defenses:

#### The defenses of the

- 1- The plaintiff argued that she deducted fixed assets from the net profit and not the Zakat base because part of the annual profit was used to finance fixed assets, and since Zakat was calculated in the declaration on the adjusted net profit.

#### Defenses of the

She argued that the deduction of the profit item used to finance fixed assets in the amount of (48,979,783) riyals from the adjusted net profit was not accepted based on paragraph (10) of Article (4) of the aforementioned regulation.

### The Committee's response to the defenses:

The plaintiff objects to the action of the defendant represented in not accepting the deduction used to finance assets from the net profit of the year in dispute, as the plaintiff stated that she deducted fixed assets from the net profit and not the Zakat base because part of the annual profit was used to finance fixed assets. Meanwhile, the defendant argued that the deduction of the profit item used to finance fixed assets in the amount of (48,979,783) riyals from the adjusted net profit was not accepted based on paragraph (10) of Article (4) of the regulation. Accordingly, and based on paragraph (Second/A) of Article (4) of the executive regulation for the collection of Zakat issued by the ministerial decision No. (2082) dated 01/06/1438 AH, which stated that: "When calculating the Zakat base for the taxpayer, the base should not be less than the adjusted net profit for Zakat purposes as a minimum." Based on the above, it is clear that the dispute between the two parties lies in the non-acceptance of the deduction used to finance assets from the net profit of the year, as the plaintiff demands the acceptance of the deduction of fixed asset additions from the total net profit due to financing these additions from the annual profit, while the defendant did not accept the deduction of asset additions from the net profit, and since the addition of assets from annual profits cannot be deducted from the Zakat base as these assets are not considered expenses to be deducted, the committee concludes to reject the plaintiff's objection to the item used to finance assets from the total net profit for the year 2017.



## Decision:

- 1- The plaintiff's objection to the item of reopening the assessment after the authority approved the termination of the Zakat position for the year 2017 is rejected.
- 2- The plaintiff's objection to the item used to finance assets from the total net profit for the year 2017 is rejected.
- 3- The plaintiff's objection to the item of commercial accounts payable and liabilities due for the year 2017 is rejected.

This decision was issued in the presence of both parties, and the committee set a period of thirty days to receive a copy of the decision through the website of the General Secretariat for Zakat, Tax, and Customs Committees, and both parties to the case have the right to appeal according to the system within (30) days from the day following the specified date for receiving it, so that it becomes final and enforceable after the expiration of this period if no objection is submitted.

May Allah send blessings and peace upon our Prophet Muhammad and upon all of his family and companions.



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR-2024-196568

Case No. Z-2023-196568

Keywords:

Zakat – Deduction elements from the Zakat base – Projects under implementation – Acceptance of the taxpayer's appeal

Summary:

The taxpayer's objection to the decision of the first circuit regarding violations and disputes of income tax in Riyadh No. (IFR-2023-115741), where his appeal lies on item (Second/B: Guarantees with others / Advance revenues / Customers with advance payments / D: (Accrued expenses) because they have been used to finance current assets that are not deducted from the Zakat base and that these amounts have actually been included in the financing of the non-deductible commercial activity from the base, and item (Projects under implementation) to clarify that the financial statements No. (9) related to projects under implementation do not include any exclusions mentioned. The committee found, by referring to clarification number (9) regarding projects under execution, that the taxpayer's defenses regarding the absence of exclusions during the year were valid. The taxpayer also indicated that the projects under execution were intended for use in the corporation's activities as real estate investments after they were completed and prepared for conversion, and not for the purpose of sale. Therefore, since the authority did not provide any credible evidence to support its decision to reject the deduction of projects under execution. Consequently; the taxpayer's appeal is accepted and the decision of the division is canceled.

Document:

- Paragraph (5) of article (4) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.



## Parties Defenses:

### Appellant's

- 1- The taxpayer argued that the intention of the corporation is to establish and prepare a residential building and a farm on land owned by the owner of the corporation for use in the corporation's activities as real estate investments after they are completed and prepared, and then converted into real estate investments not intended for sale.

## The Committee's response to the defenses:

Whereas paragraph (1) of item (Second) of article (fourth) of the executive regulation for the collection of zakat issued by ministerial decision number (2082) dated 01/06/1438 AH states that: "The following shall be deducted from the zakat base:" ... 2- The taxpayer's capital constructions under execution are being constructed for the purpose of using them in the activity and not for the purpose of selling them.". Based on the above, and since it is necessary to meet two essential conditions for considering projects under execution as permissible deductions from the zakat base, which are the documented intention from the authorized person clarifying the intention of the investment, and the absence of any sales transactions that occurred during the year on those investments. Regarding what the taxpayer mentioned that the related parties are the source of funding for these projects, a claim was made regarding a receivable from related parties in item (First), which concluded with the rejection of the taxpayer's appeal and its addition to the year-end in support of the authority's procedure; since the taxpayer did not prove that the projects under execution were funded by related parties. Concerning the projects under execution, it was found from the documents submitted in the case file that the authority's response referred to the company's activity in the financial statements for the year 2017, which cannot be taken into account since the year of dispute in the current case is 2016. The company's activity in 2016 according to the financial statements was as per clarification number (1) as follows: "The activities of the corporation include general contracting for buildings (construction - demolition - restoration - repair), electrical and mechanical works, road works, and carrying out water and sewage works and their networks, as well as maintenance and operation of electrical and mechanical facilities, maintenance and landscaping, and cleaning of buildings, hospitals, and medical centers." Accordingly, it is clear from the text of the above clarification that the taxpayer's activity does not revolve around the sale of real estate and properties. Moreover, by referring to clarification number (9) regarding projects under execution, it was confirmed that the taxpayer's defenses regarding the absence of exclusions during the year were valid. The taxpayer also indicated that the projects under execution were intended for use in the corporation's activities as real estate investments after they were completed and prepared for conversion, and not for the purpose of sale. Therefore, since the authority did not provide any



credible evidence to support its decision to reject the deduction of projects under execution, the circuit concludes by accepting the taxpayer's appeal and canceling the decision of the adjudication circuit in this item.

### Decision:

1- Accepting the appeal procedurally from the taxpayer/ corporation ..., commercial registration number (...), distinctive number (...) Against the decision of the first circuit for adjudicating income tax violations and disputes in Riyadh with number (IFR-2023-115741) issued in case number (Z-2022-115741) related to the zakat assessment for the year 2016.

2- On the Merits:

1- Rejecting the taxpayer's appeal and upholding the decision of the adjudication circuit regarding item (Amounts due to related parties).

2- Regarding the taxpayer's appeal on item (Accounts payable and other payable balances and accrued expenses):

A- Rejecting the taxpayer's appeal and upholding the decision of the adjudication circuit regarding item (Accounts payable).

B- Accepting the taxpayer's appeal and canceling the decision of the adjudication circuit regarding item (Deposits with others/ Advance revenues/ Customers with advance payments).

C- Rejecting the taxpayer's appeal and upholding the decision of the adjudication circuit regarding item (Creditors for the purchase of fixed assets).

D- Accepting the taxpayer's appeal and canceling the decision of the adjudication circuit regarding item (Accrued expenses).

3- Rejecting the taxpayer's appeal and upholding the decision of the adjudication circuit regarding item (Real estate investments).

4- Acceptance of the taxpayer's appeal and cancellation of the decision of the Appeals Committee regarding item (Projects under implementation).

5- Rejection of the taxpayer's appeal and upholding the decision of the Appeals Committee regarding item (Provision for doubtful debts).

6- Rejection of the taxpayer's appeal and upholding the decision of the Appeals Committee regarding item (End of service bonus).



## Amendments to net profit



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No IR -2024-170811

Case No Z-2023-170811

Keywords:

Zakat – Amendments to net profit – Shares of foreign and Saudi partners – Acceptance of the taxpayer's appeal

Summary:

The taxpayer's objection to the decision of the second circuit regarding violations and disputes of income tax in Riyadh No. (ISR-2022-1812), where his appeal lies on item (Share of the Saudi partner with amendments to the net result) because the authority did not take into account the amendment made by the company to reduce the share of the Saudi partner from the net value of the assets deducted from the zakat base, which led to the inclusion of the Saudi partner's share of the amendments to the net result twice. And it has been established to the appellate committee that the taxpayer reversed the effects of the exemption of the foreign partner and canceled the effect from the net value of properties and equipment according to the statements, and the authority did not take into account the asset item when assessing, and it is the taxpayer's right. Consequently; the taxpayer's appeal is accepted and the decision of the division is canceled.

Document

- Paragraph (3) of Article (20) of The executive regulation for the collection of zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

Parties Defenses:

Appellant's

- 1- The taxpayer argued that the authority did not deduct the share of the Saudi partner from the amendments to the net result (18,332,190 riyals), despite amending the share of the exempt foreign partner.



- 2- The taxpayer argued that the exemption of the foreign partner prevented the adjustment of his share in net profit due to the "Revenue" system, which led to the exclusion of (19,317,377 riyals) as due tax, and its impact on the share of the Saudi partner.
- 3- -The taxpayer argued that the authority's rejection of this deduction caused additional zakat to be calculated on the Saudi partner, contrary to what was stated in the decision of the appellate committee (IR-2022-200).

### The Committee's response to the defenses:



Where paragraph (3) of Article (20) states: "The burden of proving the accuracy of what is stated in the zakat declaration of the taxpayer regarding items and any other data lies with the taxpayer, and if he is unable to prove the accuracy of what is stated in his declaration, the authority may not approve the item that is not proven by the taxpayer or may impose an estimated assessment according to the authority's perspective in light of the circumstances and facts related to the case and the information available to it." Based on the above, it is clear that the dispute is limited to the taxpayer's request to accept the adjustment of the Saudi partner's share from the amendments to the net result amounting to (18,332,190) riyals or to deduct the correct share of the Saudi partner in the net balance of properties and equipment (fixed assets) from the zakat base according to the audited financial statements for the year 2015, as the authority did not take into account the amendment made by the company to reduce the share of the Saudi partner from the net value of the assets deducted from the zakat base, which led to the inclusion of the Saudi partner's share of the amendments to the net result twice. Upon reviewing the case file and the documents it contains, it is clear that the taxpayer reversed the effects of the exemption of the foreign partner and canceled the effect from the net value of properties and equipment according to the statements. Therefore, upon returning to the financial statements shown in the taxpayer's declaration, it is clear that the deducted assets appeared at a value of (272,750,022) riyals and that the taxpayer adjusted its amount in his declaration to remove the effect of the amendments on the foreign partner. Since the authority did not take into account the asset item when assessing, it is the taxpayer's right, which leads the committee to accept the taxpayer's appeal and cancel the decision of the Appeals Committee regarding this item.

### Decision

- 1- Acceptance of the appeal procedurally from the taxpayer/ Company ..., commercial register (...), distinctive number (...) Against the decision of the second circuit regarding violations and disputes of income tax in Riyadh No. (ISR-2022-1812) issued in case No. (Z-2021-72433) related to the zakat assessment for the year 2015.
- 2- On the Merits:



- 1- Rejection of the taxpayer's appeal and upholding the decision of the Appeals Committee regarding item (Fees for students received in advance amounting to 20,484,603 riyals).
- 2- Rejection of the taxpayer's appeal and upholding the decision of the Appeals Committee regarding item (Accounts payable amounting to 3,958,538 riyals).
- 3- Rejection of the taxpayer's appeal and upholding the decision of the Appeals Committee regarding item (Accrued expenses amounting to 1,297,648 riyals).
- 4- Acceptance of the taxpayer's appeal and cancellation of the decision of the Appeals Committee regarding item (Share of the Saudi partner with amendments to the net result).
- 5- The taxpayer's appeal was rejected, and the decision of the adjudication committee regarding the item (investments in the name of a related party "partner") was upheld.



The Tax Violations and Disputes Committee  
First Circuit for Income Tax Violations and Disputes  
In Jeddah Governorate

Decision No: IZJ-2024-205354

Case No. Z -2023-205354

#### Keywords:

Zakat – amendments to net profit – profits from foreign purchase differences – rejection of the taxpayer's objection

#### Summary:

The taxpayer's objection to the zakat assessment for the year 2017, issued by the Zakat, Tax and Customs Authority, is based on the item (social insurance for the year 2017) where the taxpayer objects to the authority's action of not allowing the deduction of the excess social insurance expenses paid, which are represented by the differences between the amounts in the accounting records and the social insurance certificate, and the item (commercial accounts payable for the year 2017) that the accounts payable arose as a result of the company's activities and did not arise from receiving cash amounts and did not use financing that is subject to zakat and has not completed a year, and the item (accrued vacations and tickets for the year 2017), and the item (accrued expenses for the year 2017), and in the item (foreign purchases for the year 2017) regarding the authority's action of adding foreign purchase expenses by an amount and marking it up by (15%). It has been established that the authority's action of amending the taxpayer's business results is due to the existence of differences in the value of imports that were not declared in the plaintiff's declaration, as the authority's action was based on a comparison of imports according to the statement issued by the Customs Authority, and the taxpayer did not provide supporting documents for his viewpoint. Accordingly, the taxpayer's objection is rejected in all items.

#### Document

- Article (5) of the rules of operation of the Zakat, Tax, and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH.
- Paragraph (5) of Article (5) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.



- Paragraph (1) of Article (5) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.
- Paragraph (2) of Article (6) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.
- Paragraph (3) Article (20) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

### Parties Defenses:

#### The plaintiff's

- 1- The taxpayer argued that there are no foreign purchases for the year in question, and that all company expenses have been audited by a licensed accountant to practice accounting and auditing in the Kingdom of Saudi Arabia, based on the provisions of paragraph (1) of Article (5) of the executive regulations for collecting zakat.

### The Committee's response to the defenses:

Based on the provisions of paragraph (1) of Article (5) related to expenses that may be deducted from the executive regulations for collecting zakat issued by Ministerial Decision (2082) dated 1/6/1438 AH, which stated: "All ordinary and necessary expenses required for the activity shall be deducted whether they are paid or accrued, leading to the net result of the activity, provided that the following controls are met: A- It must be an actual expense supported by documentary evidence or other indications that enable the authority to verify its validity, even if related to previous years. B- It must be related to the activity and not related to personal expenses or other activities. C- It must not be of a capital nature, and if a capital nature expense is included in the expenses, it shall adjust the result of the activity and be included in fixed assets and consumed according to the statutory rates", and based on paragraph (3) of Article (20) of the executive regulations for collecting zakat issued by Ministerial Decision No. (2082) dated 1/6/1438 AH, which stated: "The burden of proving the validity of what is stated in the taxpayer's zakat declaration from items and any other data lies with the taxpayer, and if he is unable to prove the validity of what is stated in his declaration, the authority may not approve the item that is not proven valid by the taxpayer or may carry out an estimated assessment according to the authority's viewpoint in light of the circumstances and facts related to the case and the information available to it") and based on the above, and since the import statement issued by the General Authority for Customs is a basic presumption from a neutral third party, and since it has been shown that the defendant's action of amending the plaintiff's business results is due to the existence of differences in the value of imports that were not declared in the plaintiff's declaration, as the



defendant's action was based on a comparison of imports according to the statement issued by the Customs Authority, and upon reviewing the submitted documents, it appears that the plaintiff submitted (a clearance statement for the VAT report for the period from 01/01/2017 to 23/08/2022) which indicates that there are no imports by the plaintiff, and the plaintiff did not provide the necessary reconciliation to clarify the grounds and justifications for the differences in imports amounting to (18,365) riyals, which was marked up by (15%) to become (2,754) riyals, and did not provide the supporting documents for her viewpoint as stated in her lawsuit, which shows the validity of the defendant's action of amending the plaintiff's business results with those differences, and therefore the circuit sees the rejection of the plaintiff's objection to the item of foreign purchases for the year 2017.

### Decision

- 1- The plaintiff's objection to the social insurance item for the year 2017 is rejected.
- 2- The plaintiff's objection to the foreign purchases item for the year 2017 is rejected.
- 3- The plaintiff's objection to the commercial accounts payable item for the year 2017 is rejected.
- 4- The plaintiff's objection to the item of due vacations and tickets for the year 2017 was rejected.
- 5- The plaintiff's objection to the item of due expenses for the year 2017 was rejected.

The judgment has become final due to the expiration of the objection period in accordance with paragraph (2) of Article (33) of the rules of operation of the Zakat and Tax Committees.



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No: IR-2024-171218

Case No Z-171218-2023

Keywords:

Zakat – amendments to net profit – not deducting due government grants at the end of the year from net profit – acceptance of the authority's appeal.

Summary:

The objection of the taxpayer and the Zakat, Tax and Customs Authority to the decision of the Third Circuit regarding violations and disputes of income tax in Riyadh No. (IFR-2022-6703), where the authority's appeal is based on the item (not deducting government grants from net profit for the year 2016), as the authority believes that these grants should be included in the Zakat base instead of being deducted from net profit. The taxpayer's appeal is based on the item (adding long-term loan balances to the Zakat base for the year 2016), confirming that these loans were for financing assets and not part of the economic activity subject to Zakat. The appellate committee found that the claim was not about the deduction in adjusted profit or the Zakat base, but rather on the due revenues charged to the income statement or their balance shown in the financial position, while long-term loans were not considered part of the Zakat base. Consequently, the authority's appeal is accepted, and the taxpayer's appeal is partially accepted.

Document

- Paragraph (5) of Article (4) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.
- Paragraph (6) of Article (4) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.
- Paragraph (3/b) of Article (4) of The executive regulation for collecting Zakat issued by the decision of the Minister of Finance No. (2216) dated 07/07/1440 AH.



## Parties Defenses:

### Appellant's

- 1- The authority argued that the government grants for the years 2015 and 2016 were deducted from the Zakat base and not from net profit, as the grants are considered part of the Zakat base items.
- 2- The authority argued regarding the taxpayer's objection to the application of the Zakat regulation issued in 2017, indicating that the regulation replaced all previous decisions and instructions, allowing the authority to apply Zakat treatments accordingly to previous years.
- 3- The authority argued based on the accounting standard related to government grants, which states that a grant is cash assets or a reduction of liabilities, and confirms that due grants should be deducted from the Zakat base account if included in the income statement with revenues.

## The Committee's response to the defenses:

Based on Fatwa No. (23408) dated 18/11/1426 AH issued by the Permanent Committee for Scientific Research and Ifta regarding debts due from government entities, which stated the following: "Amounts owed to a person by any government entity, if their payment is delayed for any reason from that required entity, even if the right holder is aware of it, zakat is not obligatory on him until he receives it and a year passes after its receipt, as stated in the Holy Quran:" (So fear Allah as much as you are able), and because Zakat is a form of support, it is not due on a person who cannot collect it and has nothing of it in his hand," as stated in paragraph (6) of item (first) of Article (four) of the executive regulation for collecting Zakat issued by Ministerial Decision No. (2082) dated 01/06/1438 AH, stating: First: The Zakat base consists of all the taxpayer's assets subject to Zakat, including: 6- government and non-government grants upon receipt," and based on the above, and upon the circuit's consideration of the dispute, the taxpayer fundamentally objects to not deducting unreceived government grants from the adjusted net profit according to the burden on the income statement as they are not due, and not as stated in the decision under appeal, while the authority demands the annulment of the decision of the circuit, as the correct treatment of the item is to deduct the due grants from the Zakat base account in the linkage and not from net profit, and upon reviewing the case file and the documents it contains, it is clear that the basis of the dispute lies in the taxpayer's demand to deduct the due grants charged to the income statement from the adjusted net profit, and since the principle in Zakat is to calculate the accounting profit and adjust it by adding non-deductible expenses legally, and then calculating the Zakat base which includes what is on the taxpayer and what is owed to him, and the unreceived government grants should be adjusted in the Zakat base, as they are considered elements of the balance sheet, as the taxpayer argued that the appellate decision issued against the company for the years 2003 and 2004 included the approval of deducting these revenues from



the adjusted net profit, and upon returning to the mentioned decision, it became clear to this circuit that the item was losses carried forward and thus affected by these due revenues, and as for the item of due government grants, the decision indicated that the correct treatment is to deduct the due grant from the Zakat base account in the linkage and not from net profit, as the adjusted net profit heavily relies on the accounting net profit and the related revenues and expenses to reach it, and then it is adjusted from a Zakat perspective to include non-deductible expenses Zakat-wise such as those not documented and not related to the activity, in addition to the fact that the decision of the circuit was flawed, as the taxpayer demands to deduct amounts different from what should actually be deducted, and the claim was not about the deduction in adjusted profit or the Zakat base, but rather on the due revenues charged to the income statement or their balance shown in the financial position, which leads the circuit to accept the authority's appeal and annul the decision of the circuit regarding the item (not deducting due government grants at the end of the year from net profit for the year 2016).

### Decision

1- Acceptance of the appeal procedurally, from the applicant/ ... Commercial register (...), unique number (...), and the appeal submitted by the Zakat, Tax and Customs Authority, against the decision of the Third Circuit regarding violations and disputes of income tax in Riyadh No. (IFR-2022-6703) issued in case No. (Z-47428-2021) related to the Zakat linkage for the years from 2015 to 2018.

2- On the Merits:

1 - Accepting the authority's appeal and annulling the decision of the circuit regarding the item (not deducting due government grants at the end of the year from net profit for the year 2016).

2 - Partially accepting the taxpayer's appeal and amending the decision of the circuit regarding the item (adding loan balances to the Zakat base for the year 2016).

3- Annul the decision of the circuit in all matters related to the years 2015, 2017, and 2018.



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No IR-2024-178632

Case No. Z- 2023-178632

Keywords:

Zakat – amendments to net profit – investment revenues – acceptance of the authority's appeal

Summary:

The objection of the Zakat, Tax and Customs Authority to the decision of the First Circuit regarding violations and disputes of income tax in Dammam City No. (IZD-2022-2761), where its appeal on the item (investment revenues for the years 2013 to 2015) lies in that the profits were distributed from the retained earnings of the invested company and not from the profit of the year, and based on that, the amounts for the years in dispute were refunded. And since it was established to the appellate committee by reviewing the statement of changes in the partners' equity of the invested company submitted by the authority within its appeal statement that the profits were distributed from the retained earnings, it follows that they were not subject to Zakat in the taxable base of the invested company, as it is known that if the distributed profits are from the profits of previous years of the invested company, they are deducted from the retained earnings that are added to the taxable base in the invested company, thus they were not subject to Zakat and should be Zakat within the taxable base of the invested company. Consequently, the authority's appeal is accepted, and the decision of the adjudication committee is canceled.

Document

- Paragraph (1) of Article (15) of the Rules for the Work of Zakat, Tax, and Customs Committees issued by Royal Order No. (25711) dated 08/04/1445 AH.

Parties Defenses:

Appellant's

- 1- The authority argued that there is no exemption in Zakat for not accepting the deduction of the distributed profit from retained earnings, but that the distributed amounts have exited from the



liability of the invested company, so they should be Zakat in the investing company as investment revenue.

### The Committee's response to the defenses:



Based on the above, and upon the circuit's return to the case file, it became clear to it that the authority's viewpoint is that the profits distributed to the company were from the retained earnings of the invested company and thus they were not subject to Zakat with it, and upon reviewing the statement of changes in the partners' equity of the invested company submitted by the authority within its appeal statement, it became clear that the profits were distributed from the retained earnings, and thus they were not subject to Zakat in the taxable base of the invested company, as it is known that if the distributed profits are from the profits of previous years of the invested company, they are deducted from the retained earnings that are added to the taxable base in the invested company, thus they were not subject to Zakat and should be Zakat within the taxable base of the invested company, and the appellant (the authority) attached a declaration form (of the invested company) which clearly shows that it excluded these profits from its taxable base, which leads the circuit to accept the authority's appeal and cancel the decision of the adjudicating circuit on this item.

### Decision

1- Acceptance of the appeal procedurally from its submitter, the appellant / Zakat, Tax and Customs Authority, against the decision of the First Circuit regarding violations and disputes of income tax in Dammam City No. (IZD-2022-2761) issued in case No. (Z-2021-81572) related to the Zakat assessment for the years 2013 to 2015.

2- Objectively:

Acceptance of the authority's appeal and cancellation of the decision of the adjudicating circuit regarding the item (investment revenues for the years 2013 to 2015).



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR-2024-171196

Case No. Z-2023-171196

Keywords:

Zakat – amendments to net profit – realized losses from investments – acceptance of the taxpayer's appeal

Summary:

The taxpayer's objection to the decision of the First Circuit regarding violations and disputes of income tax in Dammam City No. (IZD-2022-2583) where his appeal on the item (international investments) claims that they are investments for the purpose of acquisition and are considered deductible items from the taxable base, and the item (realized losses from investments) where he claims that the authority accepts profits from investments that are not approved for deduction within the company's profits and that not approving the realized losses is a serious error in the concept of Zakat. And since it was established to the appellate committee that the custom has settled on adding gains / deducting realized losses from investments in securities within the equity rights of the taxable base of Zakat. And this does not detract from the authority's argument that the taxpayer is not entitled to deduct these losses regardless of whether the deduction of investments is accepted or not, and since the accounting treatment of the disputed loss results in a reduction of the taxable base by the value of that loss, and a decrease in the amount deducted for the investment by the same amount as is the case in dealing with gains from financial investments prepared for trading or the losses incurred regarding them that are realized. This means; accepting the taxpayer's appeal and canceling the decision of the adjudicating circuit.

Document

- Paragraph (4) of Article (4) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.
- Paragraph (1) of Article (5) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.



## Parties Defenses:

### Appellant's

- 1- The taxpayer argued that the custom has settled on adding gains / deducting realized losses from investments in securities within the equity rights of the taxable base of Zakat.

## The Committee's response to the defenses:

Where the taxpayer's appeal lies in appealing the rejection of the adjudicating circuit regarding the disputed item, as he claims that the authority accepts profits from investments that are not approved for deduction within the company's profits and that not approving the realized losses is a serious error in the concept of Zakat. And based on paragraph (1) of Article (5) of the executive regulation for the collection of Zakat issued by the ministerial decision No. (2082) dated 1/6/1438 AH regarding the expenses that may be deducted which states that: "All ordinary and necessary expenses required for the activity shall be deducted whether they are paid or accrued, leading to the net result of the activity, provided that the following controls are met: A- It must be an actual expense supported by documentary evidence or other indications that enable the authority to verify its validity, even if related to previous years. B- It must be related to the activity and not related to personal expenses or other activities. C- It should not be of a capital nature, and in the case of including an expense of a capital nature within the expenses, the result of the activity is adjusted and the fixed assets are included and consumed according to the statutory rates. Based on the above, and since the taxpayer's appeal lies in the custom that has settled on adding gains / deducting realized losses from investments in securities within the equity rights of the taxable base of Zakat. And this does not detract from the authority's argument that the taxpayer is not entitled to deduct these losses regardless of whether the deduction of investments is accepted or not, and since the accounting treatment of the disputed loss results in a reduction of the taxable base by the value of that loss, and a decrease in the amount deducted for the investment by the same amount as is the case in dealing with gains from financial investments prepared for trading or the losses incurred regarding them that are realized, which leads the circuit to accept the taxpayer's appeal and cancel the decision of the adjudicating circuit regarding this item.

## Decision:

- 1- Acceptance of the appeal procedurally from the taxpayer/ Company ..., commercial register (...), distinctive number (...) Against the decision of the first circuit to rule on violations and disputes regarding income tax in Dammam City with the number (IZD-2022-2583) issued in case number (Z-81113-2021) related to the zakat assessment for the year 2017.

- 2- On the Merits:



- 1- Accepting the taxpayer's appeal and canceling the decision of the ruling circuit regarding item (realized losses from investments).
- 2- Rejecting the taxpayer's appeal and upholding the decision of the ruling circuit regarding item (equity method investment difference).
- 3- Rejecting the taxpayer's appeal and upholding the decision of the ruling circuit regarding item (foreign investments available for sale).
- 4- Accepting the taxpayer's appeal and canceling the decision of the ruling circuit regarding item (international investments).



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR-2024-167435

Case No. Z-2023-167435

Keywords:

Zakat – amendments to net profit – not allowing current year profit used to finance fixed assets – accepting the authority's appeal

Summary:

The objection of the Zakat, Tax and Customs Authority to the decision of the first circuit to rule on violations and disputes regarding income tax in Dammam number (IZD-2022-2364), where its appeal is based on some items (<2>not allowing current year profit used in <3>financing <4>fixed <5>assets) as it excluded these amounts from net profit because these expenses are considered capital in nature that adjust the activity result during the examination phase. And since the appellate committee established that the authority deducted the entire amount of fixed assets according to the financial statements from the zakat base, and that what the taxpayer claims to deduct from the adjusted profit, and since the assets are of a capital nature and are depreciated over the asset's life, thus the deduction is only in the zakat base and there is no legal or accounting basis for deducting it from the adjusted net profit. Consequently; accepting the authority's appeal and canceling the decision of the ruling circuit on this item.

Document

- Paragraph (2) of Article (4) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

Parties Defenses:

Appellant's

- 1- The authority argued that it excluded the amounts from net profit because these expenses are considered capital in nature that adjust the activity result during the examination phase, thus it cannot be deducted based on item (c) of paragraph (first) of Article (fifth) of the executive regulation.



## The Committee's response to the defenses:



The authority's appeal is based on the fact that it excluded these amounts from net profit because these expenses are considered capital in nature that adjust the activity result during the examination phase. And since item (Second/9/i) of Article (4) of the executive regulation for collecting zakat issued by ministerial number (2082) dated 01/06/1438 AH states that: "When calculating the zakat base for the taxpayer, the base should not be less than the adjusted net profit for zakat purposes as a minimum." Based on the above, and since it is clear that the authority's appeal is represented in that the item in dispute is of a capital nature and thus cannot be deducted from the profit of the year, therefore, since the zakat base is determined by deducting the total negative items from the total positive items forming the base and a specific negative item is not deducted from a specific positive item, and since it is clear that the authority deducted the entire amount of fixed assets according to the financial statements from the zakat base, and that what the taxpayer claims to deduct from the adjusted profit, and since the assets are of a capital nature and are depreciated over the asset's life, thus the deduction is only in the zakat base and there is no legal or accounting basis for deducting it from the adjusted net profit, which leads the circuit to accept the authority's appeal and cancel the decision of the ruling circuit on this item.

### Decision:

- 1- Accepting the appeal procedurally from its submitter/ Zakat, Tax and Customs Authority, against the decision of the first circuit to rule on violations and disputes regarding income tax in Dammam with the number (IZD-2022-2364) issued in case number (Z-2021-63311) related to the zakat assessment for the year 2015.
- 2- On the Merits:
  - 1- Accepting the authority's appeal and canceling the decision of the ruling circuit regarding item (not allowing current year profit used to finance fixed assets).
  - 2- Rejecting the authority's appeal and upholding the decision of the ruling circuit regarding item (not allowing payment of management fees paid to shareholders .../ (... ) Company
  - 3- Rejecting the authority's appeal and upholding the decision of the ruling circuit regarding item (not allowing fees for board members).



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR-2023-143268

Case No. ZW-2022-143268

Keywords:

Zakat – amendments to net profit – not reducing adjusted profits by distributed profit from the annual profit – accepting the taxpayer's appeal.

Summary:

The taxpayer's objection to the decision of the second circuit regarding the violations and disputes of income tax in Riyadh with the number (ISR-2022-1134) is based on the item (loans and similar items) as they represent financing for purchase orders according to a tripartite agreement between the company, the bank, and the supplier, with a term of these loans being only (105) days and they have been fully repaid, and the item (not deducting the provisions for the years 2017 and 2018 from the partners' book net profit) to demand the deduction of the user's balances from the provisions from the company's book net profit, and the item (life insurance expense) to demand its deduction, and the item (not reducing the profits adjusted by the distributed profit from the profit of the years from 2016 to 2018) to argue that the authority cannot reduce the adjusted profit as it is considered a return on capital, which is an element of the zakat base. The appellate committee found that these distributions occurred during the year in phased periods (quarterly), resulting in a deficit in the retained earnings balance, which is a result of the company's method of distributing profits, and there is a legal evidence to determine the necessity of imposing zakat on wealth that the taxpayer no longer owns after transferring it to others before the year has passed on it. Consequently, it accepted his appeal and canceled the decision of the circuit regarding the item (not reducing the profits adjusted by the distributed profit from the profit of the year), and the item (life insurance expense), and the item (not reducing the profits adjusted by the distributed profit from the profit of the year), and the item (loans and similar items), and rejected his appeal and upheld the decision of the circuit regarding the item (not deducting the provisions).



## Document

- Paragraph (4/1) of Article (9) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.
- Paragraph (3) of Article (20) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

## Parties Defenses:

### Appellee's (Authority's)

- 1- The authority argued that the adjusted profit cannot be reduced as it is considered a return on capital, which is an element of the zakat base.

## The Committee's response to the defenses:

Article (70) of the Sharia Procedure Law promulgated by Royal Decree No. (M/1) dated 22/01/1435 AH stipulates that: "The parties may request the court in any case to record what they have agreed upon in acknowledgment or settlement or otherwise in the case record, and the court shall issue a document to that effect," as stated in paragraph (1) of Article (70) of the executive regulations of the Sharia litigation system issued by the Minister of Justice's decision No. (39933) dated 19/05/1435 AH. "If the agreement occurs before the case is recorded, it is necessary to document the content of the case and the response before recording the agreement, provided that the original case is within the jurisdiction of the circuit, even if the content of the agreement is within the jurisdiction of another court or circuit, provided that the subject of the case or part of it is among what has been agreed upon," and based on the above, and since this circuit has confirmed the end of the dispute between the two parties according to what was stated in the letter issued by the authority in the supplementary memorandum stating that "the authority informs your esteemed circuit after studying the submitted documents that it partially accepts the taxpayer's objection..." "Therefore, it is necessary for the circuit to document the end of the dispute regarding the appeal on the following amounts:" 258,112,000 Riyals and 366,228,058 Riyals and 388,069,000 Riyals. As for the following amounts:" 380,888,000 Riyals and 380,771,942 Riyals and 501,431,000 Riyals, based on paragraph (8) of item (First) of Article (Fourth) of the executive regulations for collecting zakat issued by the Minister of Finance's decision No. (2082) dated 01/06/1438 AH, which stated the following: "The zakat base consists of all the taxpayer's assets subject to zakat, including:" 8- The balance of retained earnings from previous years at the end of the year," and based on the above, and upon reviewing the case file where the authority argued that the adjusted profit cannot be reduced as it is considered a return on capital, which is an element of the zakat base, the circuit sees that these distributions occurred during the year in phased



periods (quarterly), resulting in a deficit in the retained earnings balance, which is a result of the company's method of distributing profits, and since there is legal evidence to determine the necessity of imposing zakat on wealth that the taxpayer no longer owns after transferring it to others before the year has passed on it, it is necessary for the circuit to accept the appeal and cancel the decision of the circuit regarding the following amounts:" 380,888,000 Riyals and 380,771,942 Riyals and 501,431,000 Riyals, and the full deduction of the profit distributions that occurred during the year from the zakat base without limiting it to the opening balance of the zakat base.

### Decision:

1- Acceptance of the appeal procedurally from its submitter/ Company..., Commercial Registration (...) , Unique Number (...) , and the Zakat, Tax and Customs Authority, against the decision of the second circuit regarding the violations and disputes of income tax in Riyadh with the number (ISR-2022-1134) issued in case number (ZW-2021-37852) related to the zakat assessment for the years from 2016 to 2018.

2- On the Merits:

1- Rejecting the taxpayer's appeal and upholding the decision of the circuit regarding the item (depreciation difference for the years 2016 and 2018).

2- Rejecting the taxpayer's appeal and upholding the decision of the circuit regarding the item (guarantee fees due for 2016 as a provision and the item of the user from the doubtful debts provision for the years 2016, 2017, and 2018).

3- Regarding the taxpayer's appeal on the item (not deducting the provisions for the years 2017 and 2018 from the partners' book net profit):

A- Confirming the end of the dispute regarding the appeal on the amount of 35,633,835 Riyals and the amount of 25,101,468 Riyals

B- Rejecting the appeal and upholding the decision of the circuit regarding the amount of 305,902 Riyals.

4-Regarding the taxpayer's appeal on the item (Ordinary expenses for the years 2016 to 2018):

A-The taxpayer's appeal is rejected, and the decision of the Appeals Committee regarding the item (Income tax expense) is upheld.

B-The taxpayer's appeal is rejected, and the decision of the Appeals Committee regarding the item (Penalty expense paid to the Capital Market Authority) is upheld.

C-The taxpayer's appeal is accepted, and the decision of the Appeals Committee regarding the item (Life insurance expense) is canceled.

D-The matter regarding the taxpayer's appeal on the item (Withholding tax) is dismissed.



E-The taxpayer's appeal is rejected, and the decision of the Appeals Committee regarding the item (Fines expense) is upheld.

5-Regarding the taxpayer's appeal on the item (Non-reduction of adjusted profits by the distributed profit from the annual profit for the years 2016 to 2018):

A-Establishing the end of the dispute regarding the appeal on the following amounts: 258,112,000 Riyals and 366,228,058 Riyals and 388,069,000 Riyals.

B-The appeal is accepted, and the decision of the Appeals Committee regarding the following amounts is canceled: 380,888,000 riyals, 380,771,942 riyals, and 501,431,000 riyals.

6-The taxpayer's appeal is rejected, and the decision of the Appeals Committee regarding the item (Rejection of deductions for fixed asset additions financed from the annual profit for the years 2016 to 2018) is upheld.

7-The taxpayer's appeal is rejected, and the decision of the Appeals Committee regarding the item (Non-deduction of deferred revenue write-offs for the year 2016) is upheld.

8-The taxpayer's appeal is rejected, and the decision of the Appeals Committee regarding the item (Addition of credit balances to the zakat base for the years 2016 and 2017) is upheld.

9-The taxpayer's appeal is rejected, and the decision of the Appeals Committee regarding the item (Non-approval of deductions for advance payments for the years 2016 and 2017) is upheld.

10-The taxpayer's appeal is rejected, and the decision of the Appeals Committee regarding the item (Non-acceptance of deductions for adjustments on retained earnings for the year 2017) is upheld.

11-The taxpayer's appeal is accepted, and the decision of the Appeals Committee regarding the item (Loans and similar for the year 2018) is canceled.

12-The taxpayer's appeal is rejected, and the decision of the Appeals Committee regarding the item (The company's claim to calculate zakat on the zakat base and not the adjusted profit) is upheld.



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR 1-2024-27607

Case No. Z-2022-127607

Keywords:

Zakat– Adjustments to net profit– End of service benefits paid– Acceptance of the authority's appeal

Summary:

The objection of the Zakat, Tax and Customs Authority to the decision of the First Circuit regarding violations and disputes of income tax in Jeddah Governorate No. (IZJ-2022-687), where its appeal lies on the item (Investments for the years 2015 and 2016) for deducting the balance at the end of the period after deducting the loan for the subsidiary company as it was not subject to zakat, and the item (Other long-term receivables for the year 2016) because the debt arose during the year in dispute and did not exceed one year, and the item (<1>End of service benefits paid for the year 2018) regarding the amount of (485,062) riyals for its treatment of provisions during the assessment. And it has been established to the appellate committee through the documents submitted by the taxpayer at the stage of adjudication, represented in a manually prepared analytical statement in addition to financial adjustments, and upon tracing it was found to amount to (3,213,562) riyals, which is less than what is stated in the statements and the amount claimed by the taxpayer. The implication is that the appeal of the authority is partially accepted and the decision of the adjudication committee is amended.

Document:

- Zakat, Tax and Customs Committees Regulations issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Article (4/9) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.



## Parties Defenses:

### Appellant's

- 1- The authority argued that when assessing, it took the net profit before zakat according to the income statement, while the elements of comprehensive income were not considered when calculating the due zakat and net profit because they result from evaluation and are not real.

## The Committee's response to the defenses:

After reviewing the case file and the documents contained therein, the committee found through the documents submitted by the taxpayer during the adjudication phase, represented by a manually prepared analytical statement in addition to financial adjustments, that it amounted to (3,213,562) riyals, which is less than what was declared in the statements and the amount claimed by the taxpayer, leading the committee to partially accept the authority's appeal for an amount of (485,062) riyals and amend the decision of the adjudication committee due to the lack of proof of payment.

## Decision:

- 1- Acceptance of the appeal procedurally, submitted by / ... Company Commercial registration number (...), unique number (...), and the Zakat, Tax and Customs Authority, against the decision of the first adjudication committee regarding violations and disputes of income tax in Jeddah province with number (IZJ-2022-687) issued in case number (2021-44626-Z) related to the zakat assessment for the years from 2015 to 2018.
- 2- Objectively:
  - 1- The taxpayer's appeal is rejected and the decision of the adjudication committee regarding item (deferred contribution) is upheld.
  - 2- The taxpayer's appeal is rejected and the decision of the adjudication committee regarding item (trade payables and other credit balances) is upheld.
  - 3- The taxpayer's appeal is rejected and the decision of the adjudication committee regarding item (long-term loans) is upheld.
  - 4- The taxpayer's appeal is rejected and the decision of the adjudication committee regarding item (employee receivables - ownership of houses) is upheld.
  - 5- The taxpayer's appeal is rejected and the decision of the adjudication committee regarding item (net investment in lease contracts) is upheld.



6- The taxpayer's appeal is rejected and the decision of the adjudication committee regarding item (assets held for exclusion for the year 2015) is upheld.

7- The taxpayer's appeal is rejected and the decision of the adjudication committee regarding item (unrealized financing element from long-term receivables) is upheld.

8- The authority's appeal is accepted and the decision of the adjudication committee regarding item (investments for the years 2015 and 2016) is annulled.

9- The authority's appeal is accepted and the decision of the adjudication committee regarding item (other long-term receivables for 2016) is annulled.

10- Confirmation of the end of the dispute regarding the authority's appeal on item (share of other comprehensive loss for 2017).

11- Regarding the authority's appeal on (end-of-service benefits paid for 2018):

A- The authority's appeal is partially accepted and the decision of the adjudication committee regarding (amount of (485,062) riyals) is amended.

B- Acceptance of the abandonment of the dispute regarding the authority's appeal concerning (amount of (3,468,000) riyals).



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR-2024-191855

Case No. Z-191855-2023

Keywords:

Zakat - adjustments to net profit - partners' salaries – acceptance of the taxpayer's appeal.

Summary:

The taxpayer's objection to the decision of the first adjudication committee regarding violations and disputes of income tax in Riyadh city number (IFR-2023-113299), where the taxpayer's appeal on item (retained earnings) is based on the equality of profit distributions and withdrawals during the year, indicating that these profits did not exist at the date of preparing the financial statements, and argues that the profits were recorded in the partners' current account according to their share in the capital and that the partners' withdrawals exceeded the profits, and in item (partners' salaries) the taxpayer demands the full deduction of partners' salaries and not just what is recorded with social insurance because the partners manage the company themselves. And since it was established to the Appellate Committee regarding the item of retained earnings that one partner's withdrawals exceeded the distributed profits and thus did not pass the year, and another partner's withdrawals were after the year had passed, and regarding the item of partners' salaries, it was established that the taxpayer submitted an analytical summary of salaries and wages and that a fixed amount was allocated to each partner for management, transportation allowance, and allowances. Since the authority did not accept the deduction of the difference, it argues that the amount of the difference in salaries stated in the declaration and registered with social insurance is much less than the salaries of similar positions in other companies, and by calculating the non-deductible amount and dividing it among the partners, it appears that it equals the salaries of similar positions. This means that regarding the item of retained earnings, the taxpayer's appeal is partially accepted, and regarding the item of partners' salaries, the taxpayer's appeal is accepted.

Document:

- Regulations for the operation of Zakat, tax, and customs committees issued by Royal Order No. (25711) dated 08/04/1445 AH.
- Article (70) of the Judicial Procedures law issued by Royal Decree No. (M/1) dated 22/01/1435 AH.



- Articles (4,21) of the executive regulation for the collection of zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

### Parties Defenses:

#### Appellant's

- 1- The taxpayer argued that the partners are the ones who manage the company themselves. Since Article Six of the executive regulation indicates the deduction of partners' salaries and board members' bonuses, we note that the partners did not receive any bonuses or allowances other than those stated, and that the difference in salaries mentioned in the declaration and registered with social insurance is much less than the salaries of similar positions in other companies. We believe that the authority insists on applying the article which allows the deduction of salaries and allowances paid to the owner of the establishment and to the chairman, vice-chairman, and members of the board of directors, provided that the salaries and allowances of the owner of the establishment are registered with social insurance without mentioning the bonuses of the board of directors. In our case, the owners of the establishment are the managers and members of the board of directors and no one else.

### The Committee's response to the defenses:

Based on paragraph (2) of Article Five of the executive regulation for the collection of zakat issued by Ministerial Decision (2082) dated 1/6/1438 AH, which relates to the expenses that may be deducted as follows: "The salaries and allowances of the owner of the establishment, whether it is a sole proprietorship, a capital company, or a partnership, as well as the bonuses paid to the chairman, vice-chairman, and members of the board of directors who are partners in the company, are considered deductible expenses provided that the salaries and allowances of the owner of the establishment are registered with social insurance." According to the above, it is clear that the zakat treatment for the item of partners' salaries and wages is to accept the deduction of the salaries of the registered partners or owners in the General Organization for Social Insurance. Referring to the documents, it is clear that the taxpayer submitted an analytical summary of the salaries and wages and that a fixed amount of (50,000) riyals per month was allocated to each partner for management, transportation allowance, housing, and communications. Since the authority did not accept the deduction of the difference amounting to (1,112,400) riyals, the taxpayer argues that the difference in salaries mentioned in the declaration and registered with social insurance is much less than the salaries of similar positions in other companies. By calculating the non-deductible amount and dividing it among the partners, it appears that it equals the salaries of similar positions, which leads the circuit to accept the taxpayer's appeal and overturn the decision of the division regarding this item.



## Decision:

1- Acceptance of the appeal procedurally from the taxpayer/ (.....) Commercial (.....), distinctive number (.....), against the decision of the first division regarding violations and disputes of income tax in Riyadh with number (IFR-2023-113299) issued in case number (Z -2022-113299) related to the zakat assessment for the year 2016.

2- On the Merits:

1- Rejecting the taxpayer's appeal and upholding the decision of the adjudication authority regarding item (salary differences).

2- Partially accepting the taxpayer's appeal and amending the decision of the adjudication authority regarding item (retained earnings).

3- Accepting the taxpayer's appeal and canceling the decision of the adjudication authority regarding item (partners' salaries).

This decision is considered final according to the provisions of Articles 47 and 48 of the rules of operation of the committees for adjudicating tax violations and disputes.



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR-2024-169269

Case No. Z-2023-169269

Keywords:

Zakat – amendments to net profit – salary differences – acceptance of the taxpayer's appeal – acceptance of the authority's appeal

Summary:

The taxpayer and the Zakat, Tax and Customs Authority's objection to the decision of the first division regarding violations and disputes of income tax in Jeddah with number (IZJ-2022-2426), where the taxpayer's appeal is on the item (bad debts for the year 2017) as the disputed item has met the conditions for deduction, and the authority's appeal is on the item (difference in external purchases for the year 2017) for its return of the difference between external purchases based on the taxpayer's declaration and the external purchases stated in the customs statement, and the item (salary differences for the year 2017) for adding the item to the net profit. The appellate committee found that the taxpayer did not provide the supporting documents for his objection regarding the grounds for those differences (amendments) mentioned in the statement he submitted, and that they indeed represent amendments to the salary item which resulted in that difference. The taxpayer's claim in his objection before the division that the differences arose due to an error in classifying employee bonuses without any supporting evidence does not affect this. Consequently, the authority's appeal is accepted, and the taxpayer's appeal is accepted.

Document:

- Zakat, Tax and Customs Committees Regulations issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Article (5/1) of paragraph (A) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.
- Article (5/3) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.



- Article (20/3) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

### Parties Defenses:

#### Appellant's

- 1- The authority argued that the decision of the division is incorrect due to the taxpayer's failure to provide the supporting documents for the payment of salaries and the approved work organization list, based on paragraph (2) of Article (6) of the executive regulation for the collection of zakat issued by Ministerial Decision No. (2082).

### The Committee's response to the defenses:

Where paragraph (1/A) of Article (5) of the executive regulation for the collection of zakat issued by Ministerial Decision No. (2082) dated 1/6/1438 AH states that: "All ordinary and necessary expenses required for the activity shall be deducted whether they are paid or accrued, leading to the net result of the activity, provided that the following controls are met: A- It must be an actual expense supported by documentary evidence or other indications that enable the authority to verify its validity, even if it relates to previous years." Paragraph (3) of Article (20) of the executive regulation for the collection of zakat issued by Ministerial Decision No. (2082) dated 1/6/1438 AH states that: "The burden of proving the validity of what is stated in the taxpayer's zakat declaration regarding items and any other data lies with the taxpayer. If he is unable to prove the validity of what is stated in his declaration, the authority may refuse to approve the item that is not proven valid by the taxpayer or proceed with an estimated assessment according to the authority's perspective in light of the circumstances and facts related to the case and the information available to it." Based on the above, and since the dispute between the two parties lies in adding the salary difference to the adjusted net profit; and since the authority appeals the division's decision and clarifies that the dispute lies in adding the item of salary expense difference amounting to (2,143,221) riyals to the net profit, as the difference is represented between what is stated in the declaration and what the taxpayer submitted in documents and supporting evidence for the disputed item, the authority rejected the unproven difference, while the taxpayer argues that the salary item represents necessary expenses incurred in the ordinary course of business; therefore, it should be recognized as actual expenses. Upon reviewing the documents submitted in the case file, it is clear that the taxpayer submitted the financial statements for the year in question, where the salaries mentioned in those statements amounted to a total of (334,121) thousand riyals (267,914 thousand riyals + 65,207 thousand riyals as employee costs) in addition to an analytical statement of salaries. Upon reviewing the statement, it became clear that it does not match the financial statements; the total amount in the submitted statement was (257,165,935) riyals. However, the essence of the dispute does not lie in matching the statement submitted by the taxpayer with the financial



statements, but rather in the difference between the salaries registered in the taxpayer's declaration and the salaries verified in the statement submitted by the taxpayer to the authority. The authority matched the statement submitted to it by the taxpayer (included in the authority's appeal statement) with what was stated in the zakat declaration, which resulted in a difference of (2,143,221) riyals (277,573,126 riyals - 257,429,905 riyals). Upon reviewing the statement submitted in the authority's appeal, which the taxpayer provided to it during the objection phase, it became clear that there were differences amounting to (2,143,221) riyals listed as adjustments (Adjustment), which is the same amount that the authority demands to be proven with documentary evidence. Upon reviewing the documents submitted in the case file, it became clear that the taxpayer did not provide the supporting documents for his objection regarding the grounds for those differences (adjustments) mentioned in the statement he submitted, and that they indeed represent amendments to the salary item which resulted in that difference. The taxpayer's claim in his objection before the division that the differences arose due to an error in classifying employee bonuses without any supporting evidence does not affect this, which leads the division to accept the authority's appeal and overturn the decision of the division regarding this item..

### Decision:

1- Acceptance of the appeal procedurally from the taxpayer/company ..., commercial registration (...), unique number (...), and the appeal submitted by the Zakat, Tax and Customs Authority, against the decision of the first circuit regarding violations and disputes of income tax in Jeddah Province with number (IZ)-2022-2426) issued in case number (Z-2021-81678-) related to the Zakat assessment for the year 2017.

2- On the Merits:

1 - Acceptance of the Authority's appeal and cancellation of the decision of the circuit regarding item (salary differences for the year 2017).

2 - Acceptance of the Authority's appeal and cancellation of the decision of the circuit regarding item (differences in external purchases for the year 2017).

3 - Rejection of the taxpayer's appeal and upholding the decision of the circuit regarding item (current liabilities for the year 2017).

4 - Acceptance of the taxpayer's appeal and cancellation of the decision of the circuit regarding item (bad debts for the year 2017).

5 - Rejection of the taxpayer's appeal and upholding the decision of the circuit regarding item (hiring labor for the year 2017).



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR -2024-160952

Case No. Z-2022-160952

Keywords:

Zakat - amendments to net profit - employee benefits not related to activity in financial statements - acceptance of the appeal by the Authority - acceptance of the taxpayer's appeal

Summary:

The taxpayer and the Zakat, Tax and Customs Authority's objection to the decision of the first circuit regarding violations and disputes of income tax in Jeddah Province number (IZJ-2022-2080), where the taxpayer's appeal is on item (profit share from the subsidiary for the years 2016 and 2017) as the invested company is a Saudi company and submits its declarations and pays Zakat for it and adopts the equity method in recording the investment, and the Authority's appeal is on item (employee benefits not related to activity in the financial statements <3>for the year <4>2017 <5>.) because the circuit overlooked reviewing the movement of the financing costs item which showed that the interest expenses are related to employee benefits programs. The appellate committee confirmed by reviewing the income statement, the other comprehensive income statement, and the cash flow statement, that those expenses were charged to the company's expenses as part of the established provision, and therefore; it takes the same ruling and treatment for the component of the provision as they are not considered accepted realized expenses. The result of that; acceptance of the authority's appeal and acceptance of the taxpayer's appeal.

Document:

- The article (4/2) of paragraph (A) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.
- article (6/2) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.
- article (20/3) of the executive regulation for Zakat collection issued by the decision of His Excellency the Minister of Finance number (2082) dated 01/06/1438 AH.



## Parties Defenses:

### Appellant's

- 1- The Authority argued that the disputed amount is clear and confirmed in the financial statements which shows that it is entirely related to employee benefits treated as a provision and the component is returned to net profit, thus the net expense of benefits is what should be returned to net profit.

## The Committee's response to the defenses:

Where paragraph (2) of article (6) of the executive regulation for Zakat collection issued by ministerial decision (2082) dated 01/06/1438 AH regarding expenses that cannot be deducted states: "2- Expenses that the taxpayer cannot prove their expenditure by supporting documents or other evidential indications." And where paragraph (6) of it states: "6- All provisions except for: A- Provision for doubtful debts to banks provided that the bank submits a certificate from its board of directors specifying the amount of doubtful debts and that the Saudi Arabian Monetary Authority approves that. B- Reserve for unearned premiums, and reserve for existing risks in insurance companies (and/or) reinsurance (technical reserves) provided that they are returned to the Zakat base in the following Zakat year and that their determination is according to the professional standards followed in this activity," as stated in paragraph number (3) of article (20) of it: "The burden of proving the accuracy of what is stated in the taxpayer's zakat declaration regarding items and any other data lies with the taxpayer, and if he is unable to prove the accuracy of what is stated in his declaration, the authority may not approve the item that is not proven to be accurate as stated in his declaration, and the authority may not approve the item that is not proven to be accurate by the taxpayer or may impose an estimated assessment according to the authority's perspective in light of the circumstances and facts related to the case and the information available to it." Based on the above, and where the Authority argued that the entire item is an unacceptable expense, while the taxpayer argues that the entire item is deductible expenses, and since the item consists of interest costs recorded as loan fees in the declaration amounting to (17,906,000) Riyals and actuarial fees amounting to (7,160,990) Riyals, and since the circuit's decision accepted the recorded interest costs as loan fees in the declaration amounting to (17,906,000) Riyals and rejected the actuarial fees amounting to (7,160,990) Riyals, and by reviewing the notes of the financial statements (note number 26); it was found that the recorded interest costs as loan fees in the declaration amounting to (17,906,000) Riyals are part of the costs of the component of the employee benefits provision, and by reviewing the income statement, the other comprehensive income statement, and the cash flow statement, it was confirmed that those expenses were charged to the company's expenses as part of the established provision, and therefore; it takes the same ruling and treatment for the component



of the provision as they are not considered accepted realized expenses, which leads the circuit to accept the Authority's appeal and cancel the decision of the circuit regarding this item.

### Decision:

1- Acceptance of the appeal procedurally from the taxpayer/company ..., commercial registration (...), unique number (...), and the appeal submitted by the Zakat, Tax and Customs Authority, against the decision of the first circuit regarding violations and disputes of income tax in Jeddah Province with number (IZ)-2022-2080) issued in case number (Z-2021-57374) related to the Zakat assessment for the years from 2016 to 2018.

2- On the Merits:

1- The taxpayer's appeal is rejected, the authority's appeal is accepted, and the decision of the division regarding item (employee benefits not related to activity in the financial statements for the year 2017) is annulled.

2- The taxpayer's appeal is partially accepted, and the decision of the division regarding item (profit share from the subsidiary for the years 2016 and 2017) is amended.

3- The taxpayer's appeal is rejected, and the decision of the division regarding item (home ownership program for the years 2016, 2017, and 2018) is upheld.



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR-2024-170717

Case No. Z -2023-170717

Keywords:

Zakat – amendments to net profit – addition of the carryover from the vacation provision – the taxpayer's appeal is partially accepted – the authority's appeal is accepted.

Summary:

The taxpayer and the Zakat, Tax and Customs Authority's objection to the decision of the first division regarding violations and disputes of income tax in Jeddah Governorate number (IZJ-2022-2691), where the authority's appeal is on item (discrepancy in the retained earnings amount) objecting to the division's decision that it added the retained earnings by an amount representing the opening balance after deducting actuarial losses, and on item (addition of the carryover from the vacation provision) in objection to what the division decided regarding this item; as the division amended the item without stating the grounds for its amendment to the authority's decision and merely referred to the amendment of that item, and the taxpayer's appeal is on item (not deducting the value of investments in equity instruments) in objection to what the division decided regarding this item; as it claims that the authority did not deduct any of the financial investments in equity instruments. The appellate committee found regarding item (discrepancy in the retained earnings amount) that the authority subjected the retained earnings balance that had completed a year, represented by the opening balance after deducting actuarial losses, and regarding item (addition of the carryover from the vacation provision) the decision of the division to amend the authority's procedure is incorrect as it became clear that there was no amendment to the authority's procedure, and regarding item (not deducting the value of investments in equity instruments) the committee found that there were no investment movements in some items of the declaration, which leads to; partially accepting the taxpayer's appeal and accepting the authority's appeal.



## Document:

- Zakat, Tax and Customs Committees Regulations issued by Royal Decree No. (25711) dated 08/04/1445 AH.
- Article (70) of Sharia Procedure Law promulgated by Royal Decree No. (M/1) dated 22/01/1435 AH.
- Paragraph (4/A) of Article (4) of the executive regulations for Zakat collection issued by the decision of His Excellency the Minister of Finance number (2082) dated 01/06/1438 AH.
- Paragraph (1/5) of Article (4) of the executive regulations for Zakat collection issued by the decision of His Excellency the Minister of Finance number (2082) dated 01/06/1438 AH.
- Paragraph (8) of item (First) of Article (4) of the executive regulations for Zakat collection issued by the decision of His Excellency the Minister of Finance number (2082) dated 01/06/1438 AH.

## Parties Defenses:

### Appellant's

- 1- The authority argued that the division that issued the decision subject to the appeal amended the item without stating the grounds for its amendment to the authority's decision and merely referred to the amendment of that item, and since the division's decision is severely deficient, it makes the decision flawed and necessitates its annulment, as it is not possible to appeal a decision that does not include clear grounds that can be responded to and refuted.

## The Committee's response to the defenses:

Based on paragraph (First/5) of Article (4) of the executive regulation for the collection of zakat issued by Ministerial Decision No. (2082) dated 1/6/1438 AH, it states that: "The zakat base consists of all the taxpayer's assets subject to zakat, including:" .5- Government and commercial loans and other sources of financing such as creditors, promissory notes, and overdraft accounts owed by the taxpayer according to the following: A- What remains of it in cash and has completed a year. B- What has been used to finance what is intended for acquisition. C- What is used in trade and a year has passed on it." Based on the above, and upon reviewing the case file, it is clear that the authority argues that the division that issued the decision subject to the appeal amended the item without stating the grounds for its amendment, and upon reviewing the case number (50222-2021-Z) it is clear that a modified decision was issued regarding the disputed item on 30/05/2024, however, upon reviewing the modified decision, it became clear that it concluded to amend the authority's procedure by "accepting vacation expenses from the adjusted net profit of 144,531 riyals



and adding the carryover to the zakat base after deducting the amount used of 435,702 riyals", and upon reviewing the authority's response memorandum before the division, it is clear that the authority added the vacation provision by the same amount (435,702) riyals, thus it becomes clear to the division that the conclusion of the division's decision to amend the authority's procedure is incorrect as it became clear that there was no amendment to the authority's procedure, which leads the division to accept the authority's objection and annul the decision of the division regarding this item.

### Decision:

1- Acceptance of the appeal procedurally from the taxpayer/ (...) Commercial registration (...) , unique number (...) , and the appeal submitted by the Zakat, Tax and Customs Authority against the decision of the first division regarding violations and disputes of income tax in Jeddah with number (IZJ-2022-2691) issued in case number (50222-2021-Z) related to the zakat assessment for the year 2018.

2- On the Merits:

1- Acceptance of the abandonment of the dispute regarding the authority's appeal on item (discrepancy in the amount of the end-of-service provision).

2- Acceptance of the authority's appeal and cancellation of the decision of the division regarding item (addition of the carryover from the leaves provision).

3- Acceptance of the authority's appeal and cancellation of the decision of the adjudication circuit regarding the item (discrepancy in the amount of retained earnings).

4- Acceptance of the withdrawal of the dispute regarding the authority's appeal on the item (non-settlement of the full value of real estate investments).

5- Rejection of the taxpayer's appeal and affirmation of the decision of the adjudication circuit regarding the item (addition of the component from the travel ticket allocation).

6- Rejection of the taxpayer's appeal and affirmation of the decision of the adjudication circuit regarding the item (addition of the rollover from the ticket allocation).

7- Rejection of the taxpayer's appeal and affirmation of the decision of the adjudication circuit regarding the item (addition of tax deduction expenses).

8- Rejection of the taxpayer's appeal and affirmation of the decision of the adjudication circuit regarding the item (addition of late payment tax penalties).

9- Rejection of the taxpayer's appeal and affirmation of the decision of the adjudication circuit regarding the item (addition of value-added tax reverse charge expenses).



10- Rejection of the taxpayer's appeal and affirmation of the decision of the adjudication circuit regarding the item (addition of Zakat expenses).

11- Rejection of the taxpayer's appeal and affirmation of the decision of the adjudication circuit regarding the item (addition of vehicle violation expenses).

12- Rejection of the taxpayer's appeal and affirmation of the decision of the adjudication circuit regarding the item (addition of differences in calculating value-added tax).

13- Rejection of the taxpayer's appeal and affirmation of the decision of the adjudication circuit regarding the item (discrepancy in the amount rolled over from the end-of-service benefits allocation).

14- Rejection of the taxpayer's appeal and affirmation of the decision of the adjudication circuit regarding the item (addition of the rollover from the allocation for doubtful debts).

15- Rejection of the taxpayer's appeal and affirmation of the decision of the adjudication circuit regarding the item (the statutory reserve).

16- Rejection of the taxpayer's appeal and affirmation of the decision of the adjudication circuit regarding the item (addition of additional capital).

17- Rejection of the taxpayer's appeal and affirmation of the decision of the adjudication circuit regarding the item (addition of amounts from related parties).

18- Rejection of the taxpayer's appeal and affirmation of the decision of the adjudication circuit regarding the item (addition of rents received in advance).

19- Rejection of the taxpayer's appeal and affirmation of the decision of the adjudication circuit regarding the item (addition of other credit balances).

20- Acceptance of the taxpayer's appeal partially and modification of the decision of the adjudication circuit regarding the item (non-settlement of the value of investments in equity instruments).

This decision is considered final according to the provisions of Articles 47 and 48 of the rules of operation of the committees for adjudicating tax violations and disputes.



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR -2024-179760

Case No. I-2023-179760

Keywords:

Zakat – amendments to net profit – salary expenses and housing allowances – the taxpayer's appeal is accepted.

Summary:

The taxpayer's objection to the decision of the third division regarding violations and disputes of income tax in Riyadh with number (IFR-2022-6782) , and where its appeal is on item (employee benefits for the years 2016, 2017, and 2018) because the differences arose as the summary of employee benefits submitted to the authority from which the authority extracted the amounts to calculate the difference does not include the amendment made in the general ledger recorded under "employee benefits" in the tax declaration, and item (bad debts) for having paid a financial penalty equivalent to the daily value of the contract for each day of delay, and item ( salary expenses and housing allowances for the years 2015 M and 2016 M) because the item represents an actual expense that is deductible for tax purposes. And it has been established to the appellate committee by reviewing the documents attached to the case file that the taxpayer attached a certification from the legal accountant regarding salaries and wages for the years 2015 and 2016, and it is clear that they represent actual expenses related to the activity. This means; accepting the taxpayer's appeal and canceling the decision of the adjudicating circuit.

Document:

- Article (13) of the Judicial Procedures law issued by Royal Decree No. (M/1) dated 15/01/1435 AH.
- Article (9/1) from The executive regulations of the income tax system issued by the decision of His Excellency the Minister of Finance No. (1535) dated 11/06/1425 AH
- Article (10/6) of the executive regulations of the income tax system issued by the decision of His Excellency the Minister of Finance No. (1535) dated 11/06/1425 AH



## Parties Defenses:

### Appellant's

- 1- The taxpayer claims that the differences between the salaries and benefits in the social insurance certificate and the declared salaries are normal, as the tax declarations include allowances and necessary expenses for the activity.

## The Committee's response to the defenses:

Based on paragraph (1) of Article (9) of the executive regulations of the income tax system issued by Ministerial Decision No. (1535) dated 11/06/1425 AH, which states the following: "The expenses that may be deducted to determine the taxable income are: 1- All ordinary and necessary expenses incurred to achieve taxable income, whether paid or accrued, provided that the following controls are met: A- It must be an actual expense supported by documentary evidence or other proof that enables the authority to verify its validity. B- It must be related to achieving taxable income. C- It must be related to the tax year D- It must not be of a capital nature." Therefore, it is clear that the dispute lies in the existence of differences between what was declared and the social insurance certificate. The certificate of the General Organization for Social Insurance is considered one of the important evidences issued by a third party and is used to verify the fairness of salaries and wages and similar matters. Upon reviewing the documents attached to the case file, it became clear to the circuit that the taxpayer attached a certification from the legal accountant regarding salaries and wages for the years 2015 and 2016, and it appears that they represent actual expenses related to the activity, which leads the circuit to accept the taxpayer's appeal and cancel the decision of the circuit regarding this item.

## Decision:

1- Acceptance of the appeal procedurally, submitted by / ... Company Commercial registration number (...), distinctive number (...), and the Zakat, Tax and Customs Authority, against the decision of the third circuit regarding violations and disputes of income tax in Riyadh with number (IFR-2022-6782) issued in case number (1-2021-87511-) related to the Zakat assessment for the years from 2015 to 2018.

2- On the Merits:

1- Reject the taxpayer's appeal and uphold the decision of the circuit regarding item (unrealized currency exchange profits for the years 2016 and 2018).

2- Regarding the taxpayer's appeal on item (salary expenses and housing allowances for the years 2015, 2016, and 2018):



- A- Accept the taxpayer's appeal and cancel the decision of the circuit regarding (the years 2015 and 2016).
- B- Reject the taxpayer's appeal and uphold the decision of the circuit regarding (the year 2018).
- 3- Accept the taxpayer's appeal and cancel the decision of the circuit regarding item (employee benefits for the years 2016, 2017, and 2018).
- 4- Accept the taxpayer's appeal and cancel the decision of the circuit regarding item (bad debts).
- 5- Reject the taxpayer's appeal and uphold the decision of the circuit regarding item (social insurance expense).
- 6- The taxpayer's appeal was rejected, and the decision of the Appeals Committee regarding the item (the adjusted assessment did not take into account the amount paid with the declaration in 2017).
- 7- The appeals of both parties were rejected, and the decision of the Appeals Committee regarding the item (carried forward losses) was upheld.
- 8- The decision of the Appeals Committee regarding the appeals of both parties concerning the item (late payment penalty) was amended.



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR-2024-171810

Case No. Z-2023-171810

Keywords:

Zakat – amendments to net profit – amortization of goodwill (goodwill write-off) – acceptance of the appeal by the authority – acceptance of the taxpayer's appeal.

Summary:

The taxpayer and the Zakat, Tax and Customs Authority's objection to the decision of the first circuit regarding violations and disputes of income tax in Jeddah Governorate number (IZJ-2022-2561), where the authority's appeal concerns the item (investment profits) because the taxpayer invests at a rate of (5%) in the Modern Company for Selling Cars and Equipment Limited on a cost basis rather than equity, and that the disputed amount is merely the taxpayer's share of the distributions, and the item (provision for doubtful debts) for the authority's correction of the treatment by adding the component to net profit and treating the amount used in the additions to the base, and the taxpayer's appeal concerns the item (<1>amortization of goodwill) because the authority added goodwill amortization expenses of (500,000) riyals to the book net profit while simultaneously deducting the same amount from the net investment from the Zakat base. The appellate committee confirmed that the taxpayer submitted the audited financial statements approved by a certified accountant for the year 2015, and upon reviewing note number (6), it was found that the goodwill amount of (5,000,000) riyals was recorded, which represents the goodwill paid in excess of the actual cost of the company's share in the invested company's capital. Hence, the Authority's appeal is accepted and the taxpayer's appeal is accepted.

Document:

- Paragraph (9. 4. 3) of Article (4) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.



## Parties Defenses:

### Appellant's

- 1- The taxpayer argued that the authority added goodwill amortization expenses of (500,000) riyals to the book net profit, while at the same time deducting the same amount from the net investment from the Zakat base (note number 6 from the financial statements), and this procedure will lead to the addition of goodwill twice.

## The Committee's response to the defenses:

Based on what was stated in paragraph (3) of Article Four, item two of the executive regulations for Zakat collection issued by Ministerial Decision No. (2082) dated 1/6/1438 AH, which stated: Second: The following shall be deducted from the Zakat base: Intangible assets such as goodwill and patents." And in reference to the decision of the appellate committee number (IR-2023-47727) issued in case number (Z - 2021- 47727) and upon reviewing the case file and the defenses and documents included, it was found that the taxpayer submitted the audited financial statements approved by a certified accountant for the year 2015, and upon reviewing note number (6), it was found that the goodwill amount of (5,000,000) riyals was recorded, which represents the goodwill paid in excess of the actual cost of the company's share in the invested company's capital and an amount of (500,000) riyals as net goodwill, therefore, based on the appellate decision mentioned above for the same taxpayer issued for a previous year (2010) which included the taxpayer's appeal regarding the goodwill item and its amortization expenses, which ended in favor of the taxpayer by accepting his appeal to deduct the goodwill amount and its amortization expense as it is established according to the audited financial statements approved by a certified accountant, therefore, since the taxpayer's appeal is similar to the grounds of the previous decision and the taxpayer submitted the approved statements for the year 2015 which established the disputed item, the committee concludes to accept the taxpayer's appeal and cancel the decision of the Appeals Committee.

## Decision:

1- Acceptance of the appeal procedurally from the taxpayer/ Company... Commercial registration (...) number (...) and the Zakat, Tax and Customs Authority, against the decision of the first circuit regarding violations and disputes of income tax in Jeddah with number (IZJ-2022-2561) issued in case number (63938-2021-Z) related to the Zakat assessment for the year 2015.

2- On the Merits:

1- Acceptance of the withdrawal of the dispute regarding the authority's appeal on the item (depreciation differences).



- 2- Acceptance of the authority's appeal and cancellation of the decision of the Appeals Committee regarding the item (investment profits).
- 3- Acceptance of the withdrawal of the dispute regarding the authority's appeal on the item (profits from the sale of properties and equipment (cars)).
- 4- Acceptance of the withdrawal of the dispute regarding the authority's appeal on the item (fixed assets).
- 5- Acceptance of the authority's appeal and cancellation of the decision of the Appeals Committee regarding the item (provision for doubtful debts).
- 6 - The taxpayer's appeal is rejected and the decision of the division regarding item (short-term obligations) is upheld.
- 7 - The taxpayer's appeal is accepted and the decision of the division regarding item (goodwill consumption) is canceled.



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR -2024-178773

Case No. Z-2023-178773

Keywords:

Zakat - amendments to net profit - depreciation differences - acceptance of the authority's appeal

Summary:

The objection of the Zakat, Tax and Customs Authority to the decision of the third division regarding violations and disputes of income tax in Riyadh with number (IFR-2022-6721), where its appeal lies on item (depreciation differences for the year 2018) claiming the existence of double deduction. The appellate committee found that the authority added the item to the net profit in the amount of (5,483,671) riyals for the year 2018, and that the Zakat treatment is to deduct the depreciation expense from the net profit and also calculate the book value of fixed assets at the end of the year according to the financial statements and deduct it from the Zakat base. The implication is that the appeal of the authority is partially accepted and the decision of the adjudication committee is amended.

Document:

- Paragraph (2) - Article (4/1) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.
- Article (7/2) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

Parties Defenses:

Appellant's

- 1- The authority argued that the taxpayer deducted depreciation differences from the assets at book values at the end of the year and also deducted depreciation differences from the net profit, indicating the existence of double deduction.



### The Committee's response to the defenses:



Based on paragraph number (2) of article (7) of the executive regulation for Zakat collection issued by ministerial decision (2082) dated 1/6/1438H which stated that: "Fixed assets are depreciated according to the straight-line method and their depreciation rate is as follows: ...". Based on the above, and upon reviewing the case file, it became clear that the dispute lies in that the taxpayer deducted the assets at the book values stated in the statements in addition to deducting depreciation differences from the assets at book values at the end of the year and also deducting depreciation differences from the net profit, indicating the existence of double deduction, and what the authority did was to add the item to the net profit in the amount of (5,483,671) riyals for the year 2018, and that the Zakat treatment is to deduct the depreciation expense from the net profit and also calculate the book value of fixed assets at the end of the year according to the financial statements and deduct it from the Zakat base, which leads the division to partially accept the authority's appeal and amend the decision of the division regarding this item.

### Decision:

1- Acceptance of the appeal procedurally from its submitter, the Zakat, Tax and Customs Authority against the decision of the third division regarding violations and disputes of income tax in Riyadh with number (IFR-2022-6721) issued in case number (Z-87349-2021) related to the Zakat assessment for the year 2016.

2- On the Merits:

Partially accepting the authority's appeal and amending the decision of the division regarding item (depreciation differences for the year 2018).



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR-2024-192511

Case No. Z-2023-192511

Keywords:

Zakat - amendments to net profit - rental expenses - acceptance of the taxpayer's appeal

Summary:

The taxpayer's objection to the decision of the first division regarding violations and disputes of income tax in Jeddah number (IZJ-2023-97598), where its appeal lies on item (investments) claiming that the investment value was determined according to the financial statements of the invested companies, and item (dividends amounting to 3,000,000 riyals) for providing supporting documents, and item (expenses rent) to exclude rental expense differences from the net profit. The appellate committee found that necessary and essential expenses to achieve activity are deductible expenses, and since the decision of the division is based on the fact that the dispute is documentary, upon reviewing the submitted documents, it is clear that the taxpayer submitted several rental contracts. Consequently; accepting the taxpayer's appeal and canceling the decision of the adjudication authority.

Document:

- Paragraph (8) of article (4/1) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.
- paragraph (4/A) of article (4/2) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.
- paragraph (1/A) of article (5) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.
- The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

Appellant's

- 1- The taxpayer argued that the amounts represent other rents, and these expenses were classified under the cost of revenues according to the audited financial statements, and that the authority's



amendments contradict the provisions of article five of the executive regulation for Zakat issued by ministerial decision number (2082) dated 1/6/1438H.

### The Committee's response to the defenses:



Based on the text of paragraph (1/A) of article (5) of the executive regulation for Zakat collection issued by Minister of Finance decision number (2082) dated 01/06/1438H related to the expenses that can be deducted which stated that: "All ordinary and necessary expenses required for the activity are deductible whether paid or accrued to reach the net result of the activity provided that the following controls are met:"

A- The expense must be actual and supported by documentary evidence or other indications that allow the authority to verify its validity, even if it relates to previous years. Based on the above, and since the dispute is over excluding rental expense differences from net profit, and since necessary and essential expenses to achieve the activity are deductible expenses, and since the decision to dismiss is based on the dispute being documentary, and upon reviewing the submitted documents, it appears that the taxpayer has provided several lease contracts, which leads the circuit to accept the taxpayer's appeal and cancel the decision of the circuit regarding this item.

### Decision:

1- Acceptance of the appeal procedurally from the taxpayer/ Company ..., commercial register (...), distinctive number (...) Against the decision of the first circuit for adjudicating violations and disputes of income tax in Jeddah Province with number (IZJ-2023-97598) issued in case number (Z-97598-2022) related to the estimated zakat assessment for the year 2018.

2- On the Merits:

1- Accept the taxpayer's appeal and cancel the decision of the circuit regarding item (investments).

2- Regarding the taxpayer's appeal on item (dividends):

A- Accept the taxpayer's appeal and cancel the decision of the circuit regarding (in the amount of 3,000,000 Riyals).

B- Reject the taxpayer's appeal and uphold the decision of the circuit regarding (in the amount of 1,707,448 Riyals).

3- Reject the taxpayer's appeal and uphold the decision of the circuit regarding item (exclusion of social security expenses loaded with increases).

4- Accept the taxpayer's appeal and cancel the decision of the circuit regarding item (rental expenses).

5- Reject the taxpayer's appeal and uphold the decision of the circuit regarding (various items represented in (credit commercial accounts, employee dues, accrued expenses and vacation pay, other credit balances).



6- Reject the taxpayer's appeal and uphold the decision of the circuit regarding item (adding a liability for investment in subsidiaries).



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR -2023-93722

Case No. Z-2022-93722

Keywords:

Zakat - amendments to net profit - import differences - acceptance of the taxpayer's appeal

Summary:

The taxpayer's objection to the decision of the first circuit for adjudicating violations and disputes of income tax in Dammam City number (IZD-2021-1902), where his appeal lies on item (credit accounts and other liabilities for the years from 2013 to 2015) and item (amounts due to partners for the years 2012, 2013, 2015, 2016, and 2017) and item (amounts due from related parties for the years 2012 and 2015) for the objection that the balances of the aforementioned items have not completed a year according to the attachments to the account statement, and item (<1>import differences for the years from 2015 to 2017) for the following grounds: That he mistakenly recorded foreign purchases as domestic purchases for the years from 2015 to 2017. And since it has been established to the appellate committee that the taxpayer has provided supporting documents, which prove his claim that the differences in foreign purchases are actual expenses and deductible. This means; accepting the taxpayer's appeal and canceling the decision of the adjudicating circuit.

Document:

- Article (20/3) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.
- Paragraph (5) of Article (4/1) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

Parties Defenses:

Appellant's

- 1- The taxpayer argued that he mistakenly recorded foreign purchases as domestic purchases for the years from 2015 to 2017.



## The Committee's response to the defenses:



Where paragraph (3) of article (20) of the executive regulation for collecting zakat issued by ministerial decision number (2082) dated 01/06/1438 AH states that: "The burden of proving the accuracy of what is stated in the taxpayer's zakat declaration from items and any other data lies with the taxpayer, and if he is unable to prove the accuracy of what is stated in his declaration, the authority may not approve the item that is not proven accurate by the taxpayer or may proceed with an estimated assessment according to the authority's perspective in light of the circumstances and facts related to the case and the information available to it." After reviewing the case file and its contents, as well as the appeal list and the committee's study of the documents submitted by the taxpayer, and since the taxpayer has provided supporting documents that prove their claim that the differences in foreign purchases are legitimate expenses and deductible, the committee concludes to accept the taxpayer's appeal and annul the decision of the committee regarding the item of differences in foreign imports from the tax base for the years 2015 to 2017.

## Decision:

1- Acceptance of the appeal procedurally from the taxpayer/ ..., resident ID number (...), unique number (...)  
The appeal submitted by the Zakat, Tax and Customs Authority against the decision of the third circuit regarding violations and disputes of income tax in Riyadh with number (IFR-2022-5032) issued in case number (IW-26609-2020) related to the tax assessment for the years from 2008 to 2016.

2- On the Merits:

1- Rejecting the Authority's appeal and upholding the decision of the committee regarding the item (differences in imports for the years from 2011 to 2014).

2- Rejecting the Authority's appeal and upholding the decision of the committee regarding the item (bad debts for the year 2012).

3- Rejecting the Authority's appeal and upholding the decision of the committee regarding the item (creditors and other liabilities for the years 2011, 2012, and 2013).

4- Rejecting the Authority's appeal and upholding the decision of the committee regarding the item (related parties for the years 2012 and 2013).

5- Rejecting the Authority's appeal and upholding the decision of the committee regarding the item (carried forward losses for the years 2012 and 2013).

6- Accepting the taxpayer's appeal and annulling the decision of the committee regarding the item (differences in imports for the years from 2015 to 2017).



7- Rejecting the taxpayer's appeal and upholding the decision of the committee regarding the item (bad debts for the year 2017).

8- Partially accepting the taxpayer's appeal and amending the decision of the committee regarding the item (creditors and other liabilities for the years from 2013 to 2015).

9- Partially accepting the taxpayer's appeal and amending the decision of the committee regarding the item (amounts due to partners for the years 2012, 2013, 2015, 2016, and 2017).

10- Partially accepting the taxpayer's appeal and amending the decision of the committee regarding the item (amounts due from related parties for the years 2012 and 2015).

11- Rejecting the taxpayer's appeal and upholding the decision of the committee regarding the item (cancellation of advance payments to suppliers for the year 2016).



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No. IR -2024-169240

Case No. Z-2023-169240

Keywords:

Zakat - amendments to net profit - revenues according to the unreported completion percentage - acceptance of the taxpayer's appeal.

Summary:

The taxpayer's objection to the decision of the third circuit regarding violations and disputes of income tax in Riyadh number (ITR-2022-6014), where their appeal is based on the item (other expenses (A) regarding the amount of 1,580,617 Riyals) and (expenses for renting machinery and equipment) as the expenses are related and incurred for the purpose of conducting the activity and are recorded in the company's books and records and supported by documentary evidence and are considered deductible expenses, and the item (revenues according to the percentage of unreported completion) for the Authority adding the item to the tax base. It has been established to the appellate committee that the revenues for the taxpayer's activities are recorded according to the percentage of work completed in accordance with the requirements of the approved accounting standards, and since the audited financial statements are based on the presumption of accuracy and integrity, and since the Authority has not provided anything to challenge those statements. Consequently; accepting the taxpayer's appeal and canceling the decision of the adjudication authority.

Document:

- Paragraph (4) of Article (4) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.
- Paragraph (2) of Article (6) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.



## Parties Defenses:

### Appellant's

- 1- The taxpayer argued that the revenues disclosed in the declarations are consistent with the financial statements submitted to the authority.

## The Committee's response to the defenses:

Where paragraph (4) of item (First) of Article (Fourth) of the executive regulation for the collection of Zakat issued by Ministerial Decision No. (2082) dated 1/6/1438 AH states: "The zakat base consists of all the taxpayer's assets subject to zakat, including: 4- The revenues presented that have completed a year." The accounting standard for construction and service contracts issued by the Saudi Organization for Certified Public Accountants, approved by the Board of Directors in Decision No. (2/3) dated 28/2/2009 states: "3/3 Recognition and measurement of revenue and expenses. 1/3/3 At the date of the statement of financial position, when it is possible to estimate the outcome of the contract with a reasonable degree of certainty – recognize the revenue and the costs associated with the contract as revenues and expenses, and measure them based on the percentage of completion method. (Paragraph 113) 4/3/3 The percentage of completion method requires matching the contract revenue with the costs incurred up to the date of reaching the specified percentage of completion, resulting in amounts for both revenue and expenses and profits or losses related to the completed part of the contract, which have been presented in the financial statements. Paragraph 116. 5/3/3 According to the percentage of completion method, the contract revenue must be recognized within the revenues in the income statement for the accounting period in which the work was completed, and the contract cost must be recognized as expenses in the income statement for the accounting periods in which the related work was completed. The expected increase in the total cost of the contract over its total revenue must be charged to the income statement, according to paragraph (129)." Based on the above, and since the taxpayer's objection to the authority's amendment regarding this disputed item is that the revenues disclosed in the declarations are consistent with the submitted financial statements, while the authority argued that it requests the rejection of the taxpayer's appeal and the affirmation of the decision of the adjudication circuit, and upon reviewing the subject of the dispute, and since the taxpayer's activity consists of construction and contracting, and since the taxpayer submitted the financial statements, account statement, and a schedule for monitoring contracts which clarify the revenues according to the percentage of completion to date amounting to (227,175,582) riyals and the revenues according to the percentage of completion during previous years amounting to (189,616,563) riyals; this means that the revenues according to the percentage of work completed during the year amount to (37,559,019) riyals which is disclosed in the Zakat declarations and consistent with the approved financial statements, and according to the percentage of completion method, the contract revenue is recognized



within the revenues in the income statement for the accounting period in which the work was completed, and the contract cost is recognized as expenses in the income statement for the accounting periods in which the related work was completed, therefore, revenues from such works are recognized accounting-wise according to the percentage of work completed in accordance with the requirements of the approved accounting standards, and since the audited financial statements are based on the presumption of accuracy and validity, and since the authority did not provide anything to challenge those statements, the circuit concludes with accepting the taxpayer's appeal and canceling the decision of the adjudication circuit regarding this item.

### Decision:

1- Acceptance of the appeal procedurally from the taxpayer/ Company ..., commercial register (...), distinctive number (...) Against the decision of the third circuit for adjudicating violations and disputes of income tax in Riyadh with number (ITR-2022-6014) issued in case number (Z-47205-2021) related to the Zakat assessment for the year 2018.

2- On the Merits:

1 - Regarding item (Other Expenses):

A- Accepting the taxpayer's appeal and canceling the decision of the adjudication circuit regarding the amount of (1,580,617).

B - Rejecting the taxpayer's appeal and affirming the decision of the adjudication circuit regarding item (832,168).

3 - Accepting the taxpayer's appeal and canceling the decision of the adjudication circuit regarding item (Expenses for renting machines and equipment).

4 - Rejecting the taxpayer's appeal and affirming the decision of the adjudication circuit regarding item (Expenses charged from the head office).

5 - Rejecting the taxpayer's appeal and affirming the decision of the adjudication circuit regarding item (Salary and wage differences and affirming the decision of the circuit).

6 - Acceptance of the taxpayer's appeal and cancellation of the decision of the division regarding item (revenues according to the unauthorized percentage of completion).

7 - Rejection of the taxpayer's appeal and affirmation of the decision of the division regarding item (accounts payable balances).



## Appeals Committee for Tax Violations and Disputes

First Appellate Circuit for Income Tax Violations and Disputes

In Riyadh

Decision No IR -2024-170446

Case No. Z-2023-170446

### Keywords:

Zakat - amendments to net profit - deduction of received zakat profits - acceptance of the authority's appeal  
- acceptance of the taxpayer's appeal

### Summary:

The taxpayer and the Zakat, Tax and Customs Authority (ZTCA) appealed against the decision of the Third Circuit to adjudicate income tax violations and disputes in Riyadh (ITR-2022-6072), where the taxpayer's appeal lies on the item (Impairment losses in Al Waad portfolio - Kuwait) as he claims that he submitted his declarations in accordance with the regulations and instructions, and the ZTCA's appeal lies on the item (Non-deduction of the cash amount held in favor of the Authority for a bank guarantee for 2017) because deposits are not deductible from the Zakat base, and the item (Non-deduction of profits received from a company that is a zakat recipient. ... for the year 2017) for the following grounds: The dispute is limited to the taxpayer's claim not to purify the profits received from the invested company as they are considered previously purified. The appellate committee has established that the profits received have not completed a full year at the invested company (the taxpayer), which is an incorrect approach as profit distributions are purified but only after ensuring that they are from retained earnings and that the zakat of that yield is linked to the year of its original investment. This means accepting the appeal of the authority and accepting the appeal of the taxpayer.

### Document

- The paragraph (3) of article (20) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.
- The paragraph (8,4) of article (4) of the executive regulation for collecting zakat issued by the decision of His Excellency the Minister of Finance number (2082) dated 01/06/1438 AH.



## Parties Defenses:

### Appellant's

- 1- The authority argued that it did not accept the deduction of the received profit distributions from the zakat base because the invested company deducted the distributions from the retained earnings added to the zakat base, which means they are not subject to it.

## The Committee's response to the defenses:

According to paragraph (8) of item (First) of Article (4) of the executive regulations for the collection of Zakat issued by the Minister of Finance's decision No. (2082) dated 01/06/1438 AH, which stated the following: "The zakat base consists of all the taxpayer's assets subject to zakat, including:" 8- The balance of retained earnings from previous years at the end of the year", and based on paragraph number (3) of article (20) of the executive regulation for collecting zakat issued by the ministerial decision number (2082) dated 1/6/1438 AH which stated: "The burden of proving the accuracy of what is stated in the zakat declaration of the taxpayer regarding items and any other data lies with the taxpayer, and if he is unable to prove the accuracy of what is stated in his declaration, the authority may not approve the item that is not proven by the taxpayer or may impose an estimated assessment according to the authority's perspective in light of the circumstances and facts related to the case and the information available to it." Based on the above, it is clear that the dispute is limited to the taxpayer's claim not to purify the profits received from the invested company (Company ...) As they are considered previously purified, and since the authority indicated in its appeal memorandum that it did not accept the deduction of the received profit distributions from the zakat base because the invested company deducted the distributions from the retained earnings added to the zakat base, which means they are not subject to it, while the taxpayer clarified through his response memorandum to the authority's appeal that the assessment proves the inclusion of all profits of the year including the distributed part during the year for the invested company, therefore, upon reviewing the case file, it became clear that the decision of the division aimed to cancel the authority's procedure because the profits received have not completed a full year at the invested company (the taxpayer), which is an incorrect approach as profit distributions are purified but only after ensuring that they are from retained earnings and that the zakat of that yield is linked to the year of its original investment. However, what the taxpayer mentioned that the distributions were made from the profits of the year and provided a copy of the trading does not count as sufficient evidence, as the taxpayer proved the existence of distributions but did not prove that those distributions were made from the profits of the year. Therefore, since it was established that there are retained profits amounting to (799) million riyals from the year 2016, while the taxpayer did not provide evidence that the distributions were made from the profits of the year, the division concludes to accept the authority's appeal and cancel the decision of the division regarding this item.



## Decision

First: Acceptance of the appeal procedurally from the taxpayer / Company ..., Commercial Registration (...), Unique Number (...) And the appeal submitted by the Zakat, Tax and Customs Authority, against the decision of the third division regarding violations and disputes of income tax in Riyadh number (ITR-2022-6072) issued in case number (Z-58425-2021) related to the zakat tax assessment for the year 2017.

Second: On the Merits:

- 1- Acceptance of leaving the dispute regarding the authority's appeal on item (life insurance for the year 2017).
- 2- Acceptance of the authority's appeal and cancellation of the decision of the division regarding item (not deducting investments (long-term investment in shares of Saudi joint-stock companies) for the year 2017).
- 3- Acceptance of the authority's appeal and cancellation of the decision of the division regarding item (not deducting the cash amount withheld in favor of the authority against a bank guarantee for the year 2017).
- 4- Acceptance of the authority's appeal and cancellation of the decision of the adjudication committee regarding the item (non-settlement of the profits received from the company ... for the year 2017).
- 5- Rejection of the taxpayer's appeal and affirmation of the decision of the adjudication committee regarding the item (unsubstantiated salaries for the year 2017).
- 6- Rejection of the taxpayer's appeal and affirmation of the decision of the adjudication committee regarding the item (fund ... of funds (Al-Riyadi), fund .. for initial offerings, the first fund for Saudi stocks, the first fund for food and healthcare, the first fund for Egyptian stocks, fund ... for local stocks, fund ... Kuwait, the gateway to the Gulf).
- 7- Rejection of the taxpayer's appeal and affirmation of the decision of the adjudication committee regarding the item (fund ... Cordoba Homes 2).
- 8- Rejection of the taxpayer's appeal and affirmation of the decision of the adjudication committee regarding the item (fund ... Al-Qanas 2).
- 9- Rejection of the taxpayer's appeal and affirmation of the decision of the adjudication committee regarding the item (fund .. the income-generating fund).
- 10- Rejection of the taxpayer's appeal and modification of the decision of the adjudication committee regarding the item (Tower .... the office).
- 11- Modification of the decision of the adjudication committee regarding the item (investment in Saudi companies registered with the authority and accounting for them (Al-Riyadi funds)).



- 12- Rejection of the taxpayer's appeal and modification of the decision of the adjudication committee regarding the item (investment in Saudi companies registered with the authority and accounting for them (...)).
- 13- Rejection of the taxpayer's appeal and modification of the decision of the adjudication committee regarding the item (investment in Saudi companies registered with the authority and accounting for them (...)).
- 14- Rejection of the taxpayer's appeal and affirmation of the decision of the adjudication committee regarding the item (foreign investments (Marsa Al-Saif - Bahrain)).
- 15- The taxpayer's appeal was rejected, and the decision of the adjudication committee regarding the item (Foreign Investments (Promise Portfolio - Kuwait)) was upheld.
- 16- The taxpayer's appeal was rejected, and the decision of the adjudication committee regarding the item (Investments in Subsidiary and Associate Companies) was upheld.
- 17- The taxpayer's appeal was rejected, and the decision of the adjudication committee regarding the item (Non-deduction of the advance payment for the company ...) was upheld.
- 18- The taxpayer's appeal was accepted, and the decision of the adjudication committee regarding the item (Non-deduction of losses from the decline in the Promise Portfolio - Kuwait) was canceled.
- 19- The taxpayer's appeal was rejected, and the decision of the adjudication committee regarding the item (Non-deduction of the share in the losses of the subsidiary company - Company ...) was upheld.
- 20- The taxpayer's appeal was rejected, and the decision of the adjudication committee regarding the item (Addition of creditor accounts for the year 2017) was upheld.
- 21- The taxpayer's appeal was rejected, and the decision of the adjudication committee regarding the item (Social Security Contributions with Increases) was upheld.
- 22- The taxpayer's appeal was rejected, and the decision of the adjudication committee regarding the item (Non-deduction of losses from the decline subject to tax for the year 2017) was upheld.
- 23- The decision of the adjudication committee regarding the item (Delay Penalty for the year 2017) was amended.



## Estimated Assessment



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No IR -2024-180372

Case No. Z-2023-180372

Keywords:

Zakat - Estimated Assessment - Estimated Zakat Assessment - Acceptance of the Authority's Appeal

Summary:

The objection of the Zakat, Tax and Customs Authority to the decision of the Third Circuit regarding violations and disputes of income tax in Riyadh numbered (IFR-2021-6920), where its appeal is based on the item (Estimated Zakat for the year 1442H) for calculating the applicable rate on the Zakat base in an estimated manner. And since it has been established to the appellate committee that the taxpayer is among the categories subject to the rules for calculating Zakat for estimated taxpayers, it is therefore the right of the authority to collect information and calculate Zakat on the taxpayer in an estimated manner according to those rules that stipulate estimating profits for the taxpayer's activity at a rate of (15%) of the sales declared in the VAT returns, and estimating capital by dividing those sales by (8). The implication of this; acceptance of the authority's appeal and cancellation of the decision of the adjudicating circuit.

Document

- Paragraph (3) of Rules for Calculating Zakat for Estimated Taxpayers issued by the Minister of Finance's decision No. (852) dated 28/02/1441H

Parties Defenses:

Appellant's

- 1- The authority argued that it based its decision on the provisions of the rules for calculating Zakat for estimated taxpayers, using VAT sales.
- 2- The authority argued that it calculated Zakat based on the declarations submitted by the taxpayer, in accordance with the Zakat due period.



## The Committee's response to the defenses:

Upon reviewing the case file and the documents available therein, and since the dispute lies in calculating the applicable rate on the Zakat base in an estimated manner, and since the taxpayer is among the categories subject to the rules for calculating Zakat for estimated taxpayers, it is therefore the right of the authority to collect information and calculate Zakat on the taxpayer in an estimated manner according to those rules that stipulate estimating profits for the taxpayer's activity at a rate of (15%) of the sales declared in the VAT returns, and estimating capital by dividing those sales by (8), but upon reviewing the opinion of the aforementioned appellate committee, since taxpayers engaged in the fuel activity do not own the goods and their activity lies only in transporting them, they should be held accountable only for their activity, and since the burden of proof lies with the taxpayer, and since the taxpayer did not provide evidence of the profit percentage from the revenues taken from VAT sales, it is necessary to accept the authority's appeal and cancel the decision of the adjudication committee regarding the item (Estimated Zakat for the year 1442H).

## Decision

1- Acceptance of the appeal procedurally from its submitter / Zakat, Tax and Customs Authority, against the decision of the Third Circuit regarding violations and disputes of income tax in Riyadh numbered (IFR-2021-6920) issued in case number (Z-2021-75775) related to the estimated Zakat for the year 1442H.

2- On the Merits:

Acceptance of the appeal of the authority and cancellation of the decision of the adjudication circuit regarding item (the zakat linkage for the year 1442 AH).



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No IR -2024-186944

Case No. Z-2023-186944

Keywords:

Zakat – estimated zakat linkage – acceptance of the taxpayer's appeal

Summary:

The taxpayer's objection to the decision of the third circuit regarding violations and disputes of income tax in Riyadh number (ITR-2022-135938), where his appeal is based on item (the estimated zakat linkage for the year 1442 AH) because the nature of the corporation's activity is solely the transportation of petroleum materials without trading in them. And since it has been established to the appellate committee that it is necessary to calculate sales considering the nature of the taxpayer's activity, and that the basis for calculation mentioned in the equation in item (third) of the rules for calculating zakat for estimated taxpayers does not reflect the actual reality of the taxpayer's activity and the net profit achieved from the sales pertaining to the taxpayer, it is clear that the authority did not exercise all the powers granted to it which allow it to calculate zakat fairly, and since the taxpayer provided the necessary financial statements and invoices that support his objection. Consequently, the taxpayer's appeal is accepted and the decision of the circuit is annulled.

Document

- Paragraph (3) of Rules for Calculating Zakat for Estimated Taxpayers issued by the Minister of Finance's decision No. (852) dated 28/02/1441H
- Paragraph (6) of Article (10) of The executive regulation for Zakat collection issued by the decision of His Excellency the Minister of Finance number (2216) dated 07/07/1440 AH.

Parties Defenses:

Appellant's

- 1- The taxpayer argued that the nature of the corporation's activity is solely the transportation of petroleum materials without trading in them.



## The Committee's response to the defenses:



The decision subject to the appeal concluded to reject the taxpayer's objection for not providing the contracts concluded with his clients and what proves the purchase of fuel, however, this contradicts the principle; as the taxpayer's commercial register has limited his activity to land transport of goods and the transport of liquids or gaseous liquids, in addition to what he presented as evidence such as customer forms and branch clients with Aramco, the multiplicity of these evidences stands as proof that his activity is limited to being a fuel transporter who collects and pays its value on behalf of his clients without considering it as sales occurring in his liability, and because what was included in the VAT sales in the appellant's declarations does not reflect the reality of his actual activity but contained amounts that he collects and pays on behalf of others due to the nature of his activity, and this is not affected by the authority's claim of the existence of activities for the taxpayer not listed in the financial statements; as the commercial register related to the case is of number (...), while the other activities represented in (the fuel station, the supplies, and the fuel station) have different commercial register numbers, and based on the statutory text referred to above; it is necessary to calculate sales considering the nature of the taxpayer's activity, and that the basis for calculation mentioned in the equation in item (third) of the rules for calculating zakat for estimated taxpayers does not reflect the actual reality of the taxpayer's activity and the net profit achieved from the sales pertaining to the taxpayer, thus it is clear that the authority did not exercise all the powers granted to it which allow it to calculate zakat fairly, and since the taxpayer provided the necessary financial statements and invoices that support his objection, which leads the circuit to accept the taxpayer's appeal and cancel the decision of the adjudication circuit in this item.

## Decision

1- Acceptance of the appeal procedurally from the appellant taxpayer/ corporation ..., commercial register (...), distinctive number (...) Against the decision of the third circuit regarding violations and disputes of income tax in Riyadh number (ITR-2022-135938) issued in case number (Z-135938-2022) related to the estimated zakat linkage for the year 1442 AH.

2- On the Merits:

Acceptance of the taxpayer's appeal and cancellation of the decision of the adjudication circuit regarding item (the estimated zakat linkage for the year 1442 AH), according to the grounds and justifications mentioned in this decision.



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No IR -2024-191136

Case No ZIW-2023-191136

Keywords:

Zakat – estimated linkage – estimated linkage on the commercial register – acceptance of the taxpayer's appeal

Summary:

The taxpayer's objection to the decision of the third circuit regarding violations and disputes of income tax in Riyadh number (ZIWR-2022-64432), and his appeal is based on item (the declarations on the commercial register) because all declarations on the commercial register expired on 19/05/1429 AH, and the commercial register was canceled by the Ministry of Commerce on 16/03/1434 AH. And since it has been established to the appellate committee that the obligation to pay zakat is linked to practicing and conducting an activity intended to achieve profit, and since the authority did not attach any document proving the taxpayer's practice of commercial activity during that period, by the concept of contradiction; the non-application of the commercial register and its expiration is considered evidence of not practicing commercial activity and thus the invalidity of the authority's action in the estimated linkage. This means; accepting the taxpayer's appeal and canceling the decision of the adjudicating circuit.

Document

- Article (7) of the Code of Criminal Procedure issued by Royal Decree No. (M/1) dated 21/02/1435 AH.

Parties Defenses:

Appellant's

- 1- The taxpayer argued that all declarations on the commercial register expired on 19/05/1429 AH, and that the commercial register was canceled by the Ministry of Commerce on 16/03/1434 AH; while the linkage was issued for the year 1442 AH, and the reality is after the expiration of the commercial register and then its cancellation.



## The Committee's response to the defenses:



Based on Article (seventh) of the commercial register system issued by Royal Decree number M/1 dated 21/02/1416 AH which stated that "the trader or his heir or the liquidator - as the case may be - must submit to the commercial register office a request to cancel the registration in the following cases:" 1 - The trader permanently leaves his trade. 2 - The trader dies. 3 - The termination of the company's liquidation. The application must be submitted within ninety days from the date of the incident that requires the cancellation of the registration. If the concerned parties do not submit a cancellation request, the commercial registry office, after verifying the incident and notifying the concerned parties by registered mail, will cancel the registration on its own after thirty days from the date of notification unless it receives from the concerned party during this period evidence that refutes this incident. In the event of a final ruling or decision to cancel the registration in accordance with the applicable regulations, the competent commercial registry office shall proceed with the cancellation as soon as it is notified of the ruling or decision. Upon returning to the Ministry of Commerce's website to verify the validity of the commercial registration, it was found that the status of the commercial registration is (canceled), and the registration expiration date is 30/03/2013, which corresponds to the date 19/05/1429, and since the linkage was issued for the year 1442, it is after the expiration of the commercial registration and its cancellation. Since the obligation to pay zakat is linked to engaging in activities intended to generate profit, and since the authority did not attach any document proving that the taxpayer engaged in commercial activity during that period, by implication; the non-validity of the commercial registration and its expiration is considered evidence of not engaging in commercial activity and thus the authority's action of estimated linkage is invalid, which leads the committee to accept the taxpayer's appeal and cancel the decision of the adjudication committee and the authority's action in this regard.

## Decision

1- Acceptance of the appeal procedurally, from the applicant/ ... Identity number (...), unique number (...), against the decision of the third circuit for adjudicating income tax violations and disputes in Riyadh with number (2022-64432-ZIWR) issued in case number (2022-93222-ZIW) related to the estimated zakat linkage for the years from 1429 to 1433, and the year 1442.

2- On the Merits:

1- Rejecting the taxpayer's appeal and upholding the decision of the adjudication committee regarding item (for the years 1429 to 1433).

2- Accepting the taxpayer's appeal and canceling the decision of the adjudication committee and the authority's action regarding item (for the year 1442).



## Zakat linkage



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No IR -2024-191654

Case No. Z-2023-191654

Keywords:

Zakat - zakat linkage - not reflecting the impact of the items accepted by the authority in its notification - accepting the taxpayer's appeal

Summary:

The taxpayer's objection to the decision of the second circuit for adjudicating income tax violations and disputes in Riyadh number (ISR-2023-97353), where his appeal is based on item (salary and wage differences for the years 2016/2017) as he claims that the differences resulting from the item were not of a capital nature and that they are actual expenses for employees and related to the activity, and item (not reflecting the impact of the items accepted by the authority for the year 2017 in its notification) due to the authority's failure to reflect the impact of the items accepted in its notification. It has been established to the appellate committee that the authority accepted some items and rejected others, yet the due zakat amount reached (7,612,518) riyals, which the taxpayer claims is due to the non-reflection of the impact of the amendments on the due zakat. Consequently, the taxpayer's appeal is accepted and the decision of the circuit is annulled.

Document

- Paragraph (7) of Article (21) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.
- Article (5) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

Parties Defenses:

Appellant's

- 1- The taxpayer argued that the authority did not reflect the impact of the items accepted for the year 2017 in its notification, which affected the clarity of the due zakat amount.



- 2- The taxpayer argued that the authority did not inform the company of the amount of zakat due, which led to a lack of clarity regarding the amount of zakat due on the company.

### The Committee's response to the defenses:



Based on paragraph (7) of Article (21) of the executive regulations for zakat collection issued by ministerial decision (2082) dated 1/6/1438, which states: "7- If the authority sees the need to amend the taxpayer's declaration, it shall notify him of the amendments made to his zakat declaration, the grounds for the amendment, the amount of zakat due, his right to object, and the legal period specified for objection, and the notification shall be sent by registered mail or by any other means that proves receipt of the notification, including notification through official electronic services." Based on the above, and since the dispute lies in the non-reflection of the amendments made in 2017, the taxpayer clarified in his appeal statement that the amendment letter submitted by the authority does not constitute a notification to the taxpayer, and upon reviewing the submitted documents (the authority's linkage), it is clear that the due zakat amount reached (7,612,518) riyals, and upon reviewing the partial acceptance notification for the year 2017, which indicates that the authority accepted some items and rejected others, yet the due zakat amount reached (7,612,518) riyals, which the taxpayer claims is due to the non-reflection of the impact of the amendments on the due zakat, which leads the committee to accept the taxpayer's appeal and cancel the decision of the adjudication committee regarding this item.

### Decision

- 1- Acceptance of the appeal procedurally from the taxpayer / Company ..., Commercial Registration (...), Unique Number (...) Against the decision of the second circuit for adjudicating income tax violations and disputes in Riyadh with number (ISR-2023-97353) issued in case number (Z-2022-97353) related to the zakat linkage for the years 2016 and 2017.
- 2- On the Merits:
  - 1- Rejecting the authority's appeal and upholding the decision of the adjudication committee regarding item (intangible assets for the years 2016 and 2017).
  - 2- Rejecting the taxpayer's appeal and upholding the decision of the adjudication committee regarding item (profit distributions for the year 2016).
  - 3- Accepting the taxpayer's appeal and canceling the decision of the adjudication committee regarding item (salary and wage differences for the years 2016/2017).
  - 4- Acceptance of the taxpayer's appeal and cancellation of the decision of the Appeals Department regarding item (not reversing the effects of the items accepted by the Authority for the year 2017 in its notice).



- 5- Rejection of the taxpayer's appeal and affirmation of the decision of the Appeals Department regarding item (allocations charged to the accounts for the year 2017).
- 6- Rejection of the taxpayer's appeal and affirmation of the decision of the Appeals Department regarding item (differences in customs duties for the years 2016 and 2017).
- 7- Rejection of the taxpayer's appeal and affirmation of the decision of the Appeals Department regarding item (adding the amount of allocations to the zakat base for the year 2016).
- 8- Rejection of the taxpayer's appeal and affirmation of the decision of the Appeals Department regarding item (adding amounts due to the zakat base for the years 2016 and 2017).
- 9- Rejection of the taxpayer's appeal and affirmation of the decision of the Appeals Department regarding item (adding amounts due to related parties for the zakat base for the years 2016 and 2017).



Appeals Committee for Tax Violations and Disputes  
First Appellate Circuit for Income Tax Violations and Disputes  
In Riyadh

Decision No IR -2024-180308

Case No. Z-2023-180308

Keywords:

Zakat – zakat linkage – illegality of opening the linkage and amending the zakat declaration – acceptance of the taxpayer's appeal

Summary:

Objection of the taxpayer to the decision of the second circuit for adjudicating violations and disputes of income tax in Riyadh number (ISR-2022-60167), where his appeal lies on item (loans and similar for the years from 2007 to 2010) because the nature of these amounts is loans that need to be repaid and not revenues for the corporation, and item (illegality of opening the linkage and amending the zakat declaration for the years from 2007 to 2010), due to his submission of declarations and payment of the due zakat. And since it has been established to the Appeals Committee that the taxpayer has attached the zakat declarations for the years in dispute along with the payments and also the re-linking, which indicates that the taxpayer has submitted all declarations for the years in dispute. Consequently; accepting the taxpayer's appeal and canceling the decision of the adjudication authority.

Document

- Paragraph (10) of article (21) of The executive regulation for the collection of Zakat issued by the decision of His Excellency the Minister of Finance No. (2082) dated 01/06/1438 AH.

Parties Defenses:

Appellant's

- 1- The taxpayer argued that the declarations were submitted and the due zakat was paid, and that the Authority had examined these declarations and issued notices of amendment on them.
- 2- The taxpayer argued that the Authority acknowledged the submission of the declarations through the objection submitted regarding the amendments it made to the declarations for the years from 2007 to 2017.



## The Committee's response to the defenses:



Based on paragraph number (8) of Article (21) of the executive regulation for collecting zakat issued by Ministerial Decision No. (2082) dated 1/6/1438 AH, which stated that "the Authority has the right to conduct the linkage or amend it at any time without being bound by a period in the following cases: A- If the taxpayer has agreed in writing to conduct the linkage or amend it. B- If the taxpayer did not submit his declaration. C- If it is found that the declaration contains incorrect information." - And based on paragraph number (10) of Article (21) thereof, "10- The Authority may correct the error in the application of the system and instructions within five years from the end of the deadline for submitting the zakat declaration for the zakat year based on the taxpayer's request, or if the error is discovered by the Authority or by the regulatory authorities." And based on the above, and upon the circuit's review of the documents, it became clear to it that the taxpayer had attached the zakat declarations for the years in dispute along with the payments and also the re-linking, which indicates that the taxpayer has submitted all declarations for the years in dispute, and regarding the year 2008, and through the zakat payment receipt dated 11/04/1430 corresponding to 07/04/2009, as the period for submitting the declaration had not ended (within 120 days), and regarding the years 2007, 2009, and 2010, the taxpayer submitted the zakat declarations on 14/05/2008, 08/05/2010, and 28/06/2011 respectively, after the legal deadline for submitting the zakat declarations had expired, and since the dispute is fundamentally about the non-submission of the declarations and since the Authority has five years for the linkage and it conducted the linkage on 16/09/2021 after the legal deadline, the circuit concludes to accept the taxpayer's appeal and cancel the decision of the Appeals Department regarding this item.

## Decision

1- Acceptance of the appeal procedurally from the applicant/ ... corporation Number (...), unique number (...), and the Zakat, Tax and Customs Authority, against the decision of the second circuit for adjudicating violations and disputes of income tax in Riyadh with number (ISR-2022-60167) issued in case number (Z-2022-95158) related to zakat linkages for the years from 2007 to 2017.

2- On the Merits:

1- Rejection of the Authority's appeal and affirmation of the decision of the Appeals Department regarding item (statute of limitations for the years from 2011 to 2015).

2- The rejection of the authority's appeal and the affirmation of the decision of the adjudication committee regarding the item (loans and similar items for the years from 2011 to 2015).



- 3- The acceptance of the taxpayer's appeal and the annulment of the decision of the adjudication committee regarding the item (illegality of opening the link and amending the zakat declaration for the years from 2007 to 2010).
- 4- The acceptance of the taxpayer's appeal and the annulment of the decision of the adjudication committee regarding the item (loans and similar items for the years from 2007 to 2010).
- 5- The rejection of the taxpayer's appeal and the affirmation of the decision of the adjudication committee regarding the item (bank deposits exceeding revenues).

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

