

Saudi Arabia temporarily waives penalties for amending prior filing positions and offers additional filing relief

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Executive summary

On 20 March 2020, Saudi Arabia's General Authority of Zakat and Tax (GAZT) extended the 2020 tax filing and payment deadlines by three months.

On 29 March, the Ministry of Finance issued Ministerial Resolution (MR) No. 3430 providing relief from tax penalties and allowing tax payable to be paid by installments. The GAZT issued a supporting Circular on the same day. The relief covers the period from 18 March to 30 June 2020.

The two measures aim to support businesses impacted economically by COVID-19. Businesses should review whether the measures can be utilized to improve their cash flow. The relief also appears to allow businesses to address prior filing positions without penalties.

Detailed discussion

Waiver of penalties

Penalties arising from the late filing of a return or amending a declaration previously submitted will be waived, provided the taxpayer files the return or amended declaration within the relief period and pays the tax liability in full by 30 June 2020. This will permit taxpayers to address prior tax filing positions without penalties.

Late registration

Penalties resulting from a taxpayer's failure to register with the GAZT before 18 March 2020 will be waived if: (i) the registration is undertaken during the period from 18 March 2020 through 30 June 2020; (ii) all necessary returns are submitted; and (iii) taxes are paid in full by 30 June 2020.

Payment by installments

If a taxpayer is unable to meet the 30 June payment deadline, the taxpayer may apply to pay taxes by installment and agree to a payment schedule with the GAZT. The application must be submitted by 30 June 2020. No fines will be imposed on liabilities from the due date until 30 June 2020. However, fines will still accrue from 1 July 2020 until the agreed upon payment date.

The Circular also indicates that the GAZT Governor may consider relief in exceptional cases not covered by the specific relief rules.

Implications

Businesses should review whether the measures can be utilized to improve their cash flow. It also appears that the relief allows businesses to address prior filing positions without penalties. EY Saudi Arabia is seeking clarification from the GAZT on this point.

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