



## Saudi Arabia

### Introduction

Tax in Saudi Arabia consists primarily of corporate income tax, withholding tax, and Zakat. Non-Saudi nationals are taxed on income from self-employment, income from capital investment, and income from any business activity conducted in the Kingdom of Saudi Arabia at a rate of 20 percent.

Citizens of Saudi Arabia and the Gulf cooperating countries (Bahrain, Kuwait, Oman, Qatar, and the United Arab Emirates) are generally exempt from the payment of income tax but, instead, are subject to the payment of Zakat. Zakat is a religious tax based on Islamic law (the Sharia) and is assessed on earnings and holdings.

### Key messages

Extended business travelers are not taxed on their employment income but may create a permanent establishment (PE) for the entity they represent.

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## Income tax

### Liability for income tax

A resident non-Saudi individual who does business in Saudi Arabia will be subject to tax on income from any activity within Saudi Arabia, less any deductions allowed within the law.

A resident individual is not subject to income tax on employment-related income (salary).

### Tax trigger points

An individual is considered a resident if the individual meets either of the two following conditions:

- The individual has a permanent place of residence in Saudi Arabia and resides in the country for a total period of not less than 30 days in the taxable year.
- The individual is physically present in Saudi Arabia for a period of not less than 183 days in the taxable year.

### Types of taxable income

For extended business travelers, the type of income that is generally taxed includes income generated from a source in Saudi Arabia.

### Tax rates

A non-Saudi resident individual or a nonresident person who does business in Saudi Arabia through a permanent establishment is subject to tax at a rate of 20 percent of the tax base.

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

## Social security

### Liability for social security

There is no liability for social security for business travelers although, if the individual is working (on a work visa/permit) for a company that is present in Saudi Arabia, the employer is responsible for the payment of social security.

## Compliance obligations

### Employee compliance obligations

There are no compliance obligations for employees in Saudi Arabia.

### Employer reporting and withholding requirements

There are compliance obligations for resident employers in relation to social security.

## Other issues

### Work permit/visa requirements

A visa must be applied for before the individual enters Saudi Arabia. The type of visa required will depend on the purpose of the individual's entry into Saudi Arabia.

### Double taxation treaties

Saudi Arabia's network of double tax treaties (either signed, to be ratified, or in the process of being ratified) includes France, India, China, Pakistan, Austria, South Africa, United Kingdom, Korea, Spain, Malaysia, Italy, Netherlands, Turkey, Greece, Uzbekistan, Belarus, Japan, Russia, Singapore, Syria, Tunisia, Vietnam, Bangladesh, and Poland.

### Permanent establishment implications

A permanent establishment (PE) may be created as a result of extended business travel, but this would be dependent on the type of services performed and the level of authority the employee has.

According to Saudi Arabia's tax law, a PE has been defined to include a permanent place of activity of a nonresident through which it carries out business in full or in part, including business carried out through an agent.

The following are considered a PE:

- Construction sites, assembly facilities, and the exercise of supervisory activities connected with them
- Installations or sites used for surveying for natural resources, drilling equipment, or ships used for surveying for natural resources, as well as the exercise of supervisory activities connected with them
- A fixed base where a nonresident natural person carries out business
- A branch of a nonresident company that is licensed to carry on business in Saudi Arabia.

### Indirect taxes

There are no indirect taxes in Saudi Arabia that are applicable to business travelers, except for customs duties on goods imported. Exceptions may be granted for used personal effects.

### Withholding taxes

According to the current income tax law, payments for services from a source in the Kingdom to nonresident parties are subject to withholding tax at flat rates ranging from 5 percent to 20 percent, depending on the nature of the services involved. Withholding tax should be deposited with the Department of Zakat and Income Tax (DZIT) by the resident paying entity within the first 10 days of the month following the month in which the taxable payments were made.

According to the tax bylaw, payments made to an affiliate for services are subject to withholding tax at a rate of 15 percent, regardless of the nature of such payments, e.g., payment for technical services is subject to withholding tax at 5 percent; however, if similar payment for technical services is made to a related party, it will be subject to 15 percent and not 5 percent. Generally, secondment charges are subject to 15 percent withholding tax.

A recent circular issued by the DZIT allows a refund for overpayment of withholding tax if the applicable withholding tax rates per the treaty are less than the rates specified in the tax regulations.

### **Transfer pricing**

There are no specific transfer pricing rules in Saudi Arabia, although Saudi Arabian tax laws include a general "anti-avoidance" clause that requires related-party transactions to be at arm's-length.

### **Local data privacy requirements**

Saudi Arabia has data privacy laws.

### **Exchange control**

Currently, Saudi Arabia does not enforce any exchange controls.

### **Nondeductible costs for assignees**

There are certain nondeductible costs, as set out in the Saudi Arabian tax regulation, for individual taxpayers.

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