

# Solution spotlight | Maintaining financial records in Arabic

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Saudi Arabia's *Zakat*, Tax and Customs Authority (ZATCA) requires taxpayers to maintain accounting books and records in Arabic. Article 58 of Saudi Arabia's tax law (as well as Article 56 of the tax by-laws) gives ZATCA the right to examine those books and records (including original invoices, day journals, general ledgers and inventory books). As part of a review, ZATCA may ask for a full audit trail of the income and expenses reported in taxpayers' returns which should reconcile with trial balances extracted from general ledgers.

## What documentation does ZATCA generally examine as part of a field audit?

- Copies of contracts
- Invoices to support income earned and expenses incurred
- Receipts to support expenses
- Confirmations of the value of work executed

## Are taxpayers allowed to maintain computerised records?

Yes - as long as:

- Information is accurately entered from accounting books in Arabic
- Original documents supporting the accounting records are held in Saudi Arabia
- Financial statements are extracted directly from computer systems.
- Reconciliations in Arabic are available where traditional records are kept as well as computerised records
- Computer print-outs (for example, from general ledgers) are extracted regularly (leading practice is at least quarterly)
- Information flows and document data entry procedures are managed effectively
- Adequate safety procedures and controls are in place to protect data integrity

## What are the penalties for not keeping books and returns in Arabic?

Taxpayers declare in their returns that their books and records are maintained in Arabic. Non-compliance may result in ZATCA rejecting returns and issuing assessments, which can lead to tax liabilities and penalties. In cases of non-compliance, ZATCA has the right under the tax law to use its own values to determine tax liabilities where it is unable to access the required information.

## Can taxpayers appoint a third party to store records?

Yes - but the responsibility to comply with tax legislation remains with the taxpayer.

## How can KeyPoint help?

In addition to supporting clients on all tax matters – including VAT, *zakat*, withholding tax, transfer pricing and all other forms of direct and indirect tax - and dealing with ZATCA, KeyPoint's multi-lingual tax team includes Saudi and GCC nationals who support clients with the translation of books and records while maintaining a close eye on technical and other administrative aspects of taxation.

For more details, please contact us.

**Disclaimer:** This tax alert is based on our review of Saudi Arabia's tax legislation - including the tax law and tax by-laws - and leading practice in taxation matters. **It is for general information only.** Seek professional advice in relation to your particular circumstances.

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