

# Tax tips | VAT disputes, controversy and litigation

Kingdom of Saudi Arabia | 8 June 2021



Since VAT was introduced in the Kingdom of Saudi Arabia, the *Zakat*, Tax and Customs Authority's (ZATCA's) VAT expertise has matured significantly. While many Saudi taxpayers are still coming to terms with the full technical impact of VAT and how it applies to their operations, ZATCA is initiating field audits and inspecting taxpayers' books. Taxpayers being assessed are advised to interact efficiently with the tax authority, avoid unnecessary disputes and carefully consider their options.

- **Prevention is better than cure** – accurately mapped transactions and robust VAT accounting processes are a key protection against errors (which ultimately lead to assessments). Engage a tax advisor before inaugurating new lines of business or contemplating large transactions.
- **Litigation is based on your data** – when asked for information, assess what you are being asked for (and why!). Have a tax adviser review your response before you send it – understanding potential risks now helps you plan for potential issues later.
- **Identify and fix your own mistakes** – penalties – which often more than double an assessment's total cost – may be mitigated if a taxpayer has found and corrected errors and amended processes to prevent a repeat.
- **Keep your adviser in the loop** – speak to your adviser if you are being assessed to see if you have grounds to contest ZATCA's actions.
- **Ask for extra time if you need it** – but ZATCA will charge interest and requests for extension require a compelling case.
- **Fix the situation swiftly and pay owed VAT** where you agree with a ZATCA assessment. Penalties accrue monthly at 5% of the amount owed until settled. Request mitigation of penalties (if available) and outline why the issue will not repeat.
- **Object to ZATCA** – in Arabic within 60 days – **only if you have a strong technical argument**. Getting a tax adviser involved as soon as possible may prevent costly additional litigation later.
- **Consider appealing unsuccessful objections** – ZATCA decisions can be appealed to the General Secretariat of Tax Committees (GSTC) and the Higher Appeals Committee (HAC).
- **Consider settling** – ZATCA's Tax Disputes Resolution Committee (TDRC) can settle an objection once an objection or appeal has been lodged. ZATCA is not obliged to agree to settle.
- **Keep a careful eye on the clock** – appeals processes are subject to strict time-lines. Appeals are frequently struck out for administrative reasons, meaning they may not even be considered despite having significant technical merit.

## Contact us:



**Ali Almohammedali**  
Managing Director | Office of Ali bin Ahmed bin Mohammed Almohammedali Accounting Consultancy  
ali.almohammedali@keypoint.com  
+966 54 541 8183



**George Campbell**  
Senior director | Head | Tax  
george.campbell@keypoint.com  
+973 3833 8641



**Tom Gilbert**  
Head | Business development  
tom.gilbert@keypoint.com  
+966 53 250 9866

**Disclaimer:** These tax tips are based on a LinkedIn post by George Campbell and our experience of advising clients undergoing ZATCA assessments in Saudi Arabia and our understanding of Saudi Arabia's VAT legislation, the GCC framework agreement and general VAT principles. **It is for general information only.** Seek professional advice in relation to your particular circumstances.