



الهيئة العامة للزكاة والدخل
General Authority of Zakat & Tax

Guideline for Zakat Assessment on Arbitrary Basis

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Version: 1

Notice:

This guideline is an unofficial English translation of the Arabic guideline and is provided for information purposes only. The Arabic guideline published on the GAZT's website (www.gazt.gov.sa) remains the only official version and shall prevail in the event of any conflict between the two languages.

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Notice

This document is a guideline and represents the concept and interpretation of the General Authority for Zakat and Tax "Authority" in relation to the application of the Rules for Calculation of Zakat for Financing Activities issued under the Ministerial Resolution No. 2215 dated 7/7/1440H (corresponding to 14/3/2019) and Zakat Implementing Regulations issued under Ministerial Resolution No. 2216 dated on 7/7/1440H (corresponding to 14/3/2019). It is not a statutory document, and the information given in this booklet is only for guidance and non-binding on the Authority, and shall not relieve the user from referring to Zakat Implementing Regulations and the relevant rules and decisions

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1. Introduction

1-1 About Zakat

Zakat is the third pillar of Islam, and the most important financial worship, and therefore often quoted in the Holy Quran. Allah Almighty equated Zakat with Prayers in more than eighty verses, where He repeated the verse: (And perform As-Salah and Give Zakat), which is one of the most important pillars that distinguishes the Muslim community from others. It is a manifestation of the supremacy of Islamic legislation; as it represents a useful means to fight poverty and alleviate the suffering of the needy. This leads to social solidarity in general.

1-2 Levying of Zakat

As an indication of the great status of Zakat in Islam; the state is entrusted with administering and supervising the collection of Zakat on declared funds and its distribution to the needy. The state is authorized to collect the Zakat on the declared funds and distribute it to the eligible ones, by entrusting some workers (employees engaged for Zakat collection purposes) to go through the owners of funds, throughout the Islamic state, calculate the amount of Zakat, collect it from them, and oversee the disbursement and distribution to eligible persons.

The above measures related to the state's administration of Zakat are indicative of its important position in the Islamic system. The levy of Zakat is an important element of social solidarity, followed by the payment of Zakat to the beneficiaries.

The General Authority of Zakat & Tax (the Authority) is responsible for levying and collection of Zakat. All procedures relating to the Zakat account of the Zakat payer, from the registration of the Zakat payer, to the process of calculating the amount of Zakat, which includes supervising the submission of Zakat declarations, payment procedures, examination of data provided, and verification by the Authority's staff, until issuance of the final Zakat certificate, including the investigation of any objections that may be raised by the Zakat payer with regard to the Authority's assessment.

1-3 Application of Zakat Levying in Saudi Arabia

The levying and disbursement of Zakat to the beneficiaries is one of the basic tasks of the state, which is stipulated in the Basic Law of Governance, as stated in Article (21): (Zakat shall be collected and spent as prescribed by the Islamic Shari'ah). Article (7) thereof indicated that the state shall take care of Islamic Shari'ah obligations in general, which include levying of Zakat and its disbursement to the designed beneficiaries, where it states: (Governance in the Kingdom of Saudi Arabia derives its authority from the Holy Quran as revealed by the God Most High and the Sunnah of his Messenger [peace and blessings be upon him], both of which govern this Law and all the laws of the State).

To confirm this, Royal Decree No. (17/2/28/8634) dated 29/6/1370H (corresponding to 6 April 1951) was issued during the reign of the founder King Abdul Aziz (may God rest his soul), which included the order for the levying of Zakat. This was emphasized in many subsequent royal decrees,

implementing ministerial decisions and interpreting regulations and circulars, including Royal Decree No. (M/40), dated 2/7/1405H and its Implementing Regulations for Levy of Zakat issued under Ministerial Decree No. (2082) dated 1/6 1438H (28 February 2017) and the Implementing Regulations for Zakat Levy issued under Ministerial Decree No. (2216) dated 7/7/1440H corresponding to (14 March 2019), which shall apply to the Zakat years starting from 1 January 2019 for all Zakat payers, except those who are accounted for on deemed basis in accordance with section 4 of the Regulations whose declarations shall be subject to the regulations after 31 December 2019. Therefore, the Implementing Regulation for Zakat Levy issued on 7/7/1440H [14 May 2019] which shall not apply to financial years prior to this date. Prior years are to be assessed in accordance with the regulations and instructions preceded that date.

The Implementing Regulations for Zakat levy have specifically focused on the Zakat collection regulations in the commercial activities apart from other Zakatable funds together with the requirements for filing Zakat declaration, the procedures of assessment, examination and payment, and their time periods.

The Zakat proceeds collected by The General Authority of Zakat & Tax shall be deposited in the Social Security Account, which shall distribute this to the poor and needy in accordance with Royal Decree No. 16/5/1 dated 5/1/1383H (28 May 1963). Paragraph (1) thereof stated "Zakat shall be collected in full from all joint stock companies and others and individuals subject to Zakat". In paragraph (2): "All the amounts collected shall be given to the Social Security Fund".

1-4 General Authority of Zakat & Tax

- The General Authority of Zakat & Tax is the agency authorized to collect Zakat in the Kingdom of Saudi Arabia, which is entrusted with levying of Zakat in accordance with the Royal Decree No (17/2/28/8634), dated 29/6/1370, which provides for levying of Zakat from those who hold Saudi citizenship.
- Established by Ministerial Resolution No. (394), dated 7/8/1370H, as one of the government bodies under the Ministry of Finance, and was entrusted with the task of the levying of Zakat.
- Royal Decree No. (61) dated 5/1/1383H was issued, which ordered the levying of Zakat in full and transferring it to the Social Security Organization.
- A number of royal decrees and ministerial resolutions regulating Zakat collection activities were issued thereafter, including Royal Decree No. (M/40) dated 2/7/1405H, which included the order to collect Zakat in full from all companies, institutions and others and individuals who are subject to Zakat. Then, the Implementing Regulation of the Royal Decree (M/40) was issued under Ministerial Resolution No. (2082) dated 1/6/1438H. Then the Implementing Regulation for Levying of Zakat was issued under Ministerial Resolution No. (2216) dated 7/7/1440H, effective 1 January 2019G, which goes into effect as of 1 January 2019 and the Rules for Calculation of Zakat for Financing Activities under Ministerial Resolution No. 2215 dated 7/7/1440H.
- On 20/7/1438H, The General Authority of Zakat & Tax was formed pursuant to the Council of Ministers Resolution No. (465) adopting the Authority's law and organization.

Phases of Regulating Zakat Collection

- 1 Royal Decree dated 29/6/1370 provides for levying of Zakat from those who hold Saudi citizenship.
- 2 Ministerial Resolution No. (394), dated 7/8/1370H, established the Zakat and Income Tax Department
- 3 Royal Decree No. (M/40) dated 2/7/1405H, included the order to collect Zakat in full from all companies, institutions and others and individuals who are subject to Zakat.
- 4 Implementing Regulation of the Royal Decree (M/40) was issued under Ministerial Resolution No. (2082) dated 1/6/1438H.
- 5 On 20/7/1438H, The General Authority of Zakat & Tax was formed pursuant to the Council of Ministers Resolution No. (465)
- 6 Implementing Regulation for levy of Zakat was issued under Ministerial Resolution No. (2216) dated 7/7/1440H, effective 1 January 2019G.



1-5 Functions of The General Authority of Zakat & Tax

The General Authority of Zakat & Tax functions defined in Article (3) thereof includes the following:

- Collect Zakat and taxes from the Zakat payer in accordance with the relevant regulations, rules and instructions.
- Provide high quality services to the Zakat payer to help him fulfill his duties.
- Follow up the Zakat payer and take the necessary actions to ensure levying of the payable amounts.
- Work to raise awareness of the Zakat payer and strengthen the degree of voluntary commitment and ensure his compliance with the instructions and guidelines issued by the Authority in its jurisdiction.
- Cooperate and exchange expertise with regional and international bodies and organizations, and specialized expertise organizations inside and outside the Kingdom, within the limits of the Authority's jurisdiction.
- Represent the Kingdom at regional and international organizations, bodies, forums and conferences that are related to the Authority's jurisdiction.

Functions of The General Authority of Zakat & Tax



Collect Zakat and taxest



Provide high quality services to the Zakat payer to help him



Follow up on the Zakat payer to ensure collection of the payable amounts



Raise awareness of the Zakat payer and strengthen the degree of commitment and ensure his compliance with the instructions and guidelines issued by the Authority



Cooperate and exchange of expertise with regional and international organizations



Represent the Kingdom at regional and international organizations, bodies, forums and conferences that are related to the Authority's jurisdiction

1-6 Overview of this Guideline

The guide provides guidance and basic information on the requirements of Zakat levy, the mechanism for its application and the obligations of persons subject to Zakat (Zakat payers). This guide helps to create a clear vision and provides guidelines on the practical application of Zakat levy in Saudi Arabia.

This guide represents the concept and interpretation of the Authority on how to apply the Implementing Regulations for levy of Zakat issued on 7/7/1440H. It is worth mentioning that this guide is not a legal document, and its texts are for guidance only. It is not intended to include all the relevant provisions of the Zakat Levy Implementing Regulations. Although these guidelines are not binding to the Authority or any other body in respect of any performed transaction, they provide general guidance on how the Authority treats Zakat-related procedures in practice.

For guidance on any special transactions, you may visit the official website of the Authority (gazit.gov.sa), which contains a wide range of tools and information specifically designed to assist the Zakat payer, including visual guidance materials and all relevant data, as well as responses to the most frequently asked questions.

2. Zakat Concepts, Terminology and Calculation methods

A) The Regulations

The Implementing Regulation for Zakat Levying issued under Ministerial Resolution No. (2216), dated 7/7/1440H.

B) The Rules

Rules for Calculation of Zakat for zakat assessment on arbitrary basis issued under Ministerial Resolution No. (2216), dated 7/7/1440H.

C) Zakat payers for zakat assessment on arbitrary basis

Any Zakat payer who does not have commercial books that results of the business and is not required to issue financial statements in accordance with the applicable laws, regulations, and rules.

D) General Organization for Social Insurance.

General Organization for Social Insurance.

E) Customs

General Authority of Customs.

F) Point of sale data

Data of POS terminals executed through the Saudi payments network provided by SAMA.

G) Etimad Platform

Ministry of Finance electronic government financial services platform.

H) Zakat year

The fiscal year of the Zakat payer, which is a lunar year (three hundred and fifty-four (354) days or more).

I) Collection of Zakat

The state is responsible for collection of Zakat. The Prophet (peace and blessings of Allaah be upon him) used to send messengers every year to collect zakat from all Muslims. At this time, the authority is entrusted with this mission on behalf of the state in accordance with the relevant Regulations and rules. The Authority has issued the regulations and rules governing the collection of Zakat, and provided high-quality services to the Zakat payer; to help it to fulfill its duties, collect the Zakat and pay it to the Social Security Agency to spend on the beneficiaries of social security.

J) Methods of calculating Zakat for companies

Zakat for existing companies is calculated in one of the following methods:

- Direct method (net of Zakat able assets method).
- Indirect method (sources of funds method).
- Estimation calculation method

The procedures of each the methods differ, and the items used for the purposes of calculating Zakat as well, but both match in the result (Zakat base). Both methods reach the same result if they are applied correctly and use the same standards and criteria.

While the Authority uses the estimation calculation method for computation of Zakat for Zakat Assessment on Arbitrary Basis as will be explained in this guideline.

Following is a summary of the methods

Direct method (net of Zakatable assets method)

This method is based on two basic procedures:

- Addition of all Zakatable assets of the entity, including accounts receivables for the Zakat payer.
- Deduction of the value of the obligations that funded the Zakat assets. The result of this formula is the Zakat base of the Zakat payer.

$\text{Zakat base} = \text{All Zakatable assets} - \text{All obligations that funded them}$

Indirect method (sources of funds method)

This method is based on two basic procedures

- **Add**

- Sources of external funds utilized for the component deductible from the base, which include long-term liabilities and obligations that are known to have financed deductible assets. Such liabilities are added to the limit they are not exceeding the deductible assets
- All sources of internal funds of the entity (capital, retained earnings, ...).
- Adjusted net profit for the year subject to the audit.

- **Deduct**

- The value of non-Zakatable assets of the entity to be deducted in accordance with the conditions of the Regulations.
- The value of the Zakatable assets in other entities, such as: (investment in the shares of Saudi companies).

The result of this formula is the Zakat base for the Zakat payer. This method is followed by the General Authority of Zakat and Tax.

Zakat base = All sources of internal funds (equity, provisions and net adjusted profit for the year) + external sources of funds not exceeding deductible assets (long-term liabilities and liabilities that are financing deductible assets) - or - non-Zakatable assets - Zakatable assets, or adjusted net profit for the year, whichever is greater

Estimation calculation method

A method used by the Authority to account for the Zakat payer who does not maintain commercial books and statutory accounts. This is because the origin of the Zakat base of the Zakat payer is that it is based on its statutory records containing the data through which the base can be identified. When this is not achieved, the Authority shall form a Zakat base according to the available information, so that the Zakat base can be estimated as closely as possible.

The Authority resorts to the arbitrary assessment method when the Zakat payer does not comply with the deadlines for submitting the declaration, or there are problems related to the confidence of the Authority in the accuracy of the data provided by the Zakat payer, according to its records, in order to approach as close as possible to its correct base.

This method is followed by the Authority to calculate Zakat of the Zakat payers who are accounted for on arbitrary assessment basis.

3. Shari'ah basis to facilitate the calculation of Zakat on arbitrary-assessment basis

The Zakat arbitrary assessment accounting method is based on criteria aimed at inflicting the Zakat base, by identifying tools that reveal the approximate volume of activity and the number of capital cycles, in order to reach a fair assessment of the Zakat base, and its implementation contributes to providing data that reveal the size of Zakatable assets.

Therefore, the General Authority of Zakat and Income, given its experience in collecting Zakat and examining and dealing with Zakat payers, has developed rules by which it can determine the funds subject to zakat, taking into account that the application of these rules is limited to Zakat payers who do not maintain commercial books.

The calculation of Zakat based on arbitrary assessment method according to realistic rules, is based on the Islamic Shari'ah estimation method for collecting the Zakat, which is actually based on assessment and judgment in identifying the amount of Zakatable assets. It is a tool for identifying quantities and standards, and a way to facilitate the calculation of Zakat payers on assessment basis in accordance with the procedures of the Authority based on the application of tools that accommodate all Zakat payers; the implementation of which results in disclosure of Zakatable assets to the Authority. Decision No. 1 was made by the Shariah Committee of the Authority with regard to seizing the adoption of the assessment method under the condition that the data reflect accurately the reality of the Zakat payer. When the Authority is able to view data or information that reveals the reality of the Zakat payer more accurately, the Authority must take them into account.

4. Determine Zakat base for arbitrary-assessed Zakat payers

4-1 Zakat payers subject to the rules for zakat assessment on arbitrary basis

The Rules for computation of zakat assessment on arbitrary basis were issued based on the decision of His Excellency the Minister of Finance No. (852) dated 28/2/1441H, which states: We approve the Rules for Computing Zakat of Arbitrary-assessed Zakat payers, which will apply to the declarations which will be submitted after 31/12/2019G.

4-2 Estimated capital and deemed profits

The Rules for computation of zakat assessment on arbitrary basis which were issued based on the decision of His Excellency the Minister of Finance No. (852) dated 28/2/1441H, seek to reach the estimated capital and deemed profits that can be relied upon to determine the zakat base for zakat assessment on arbitrary basis. The Rules for computation of zakat on arbitrary basis used to rely formerly in some of its procedures on identifying the capital and profit through specific rules for each activity separately, which was a burden on the zakat payers of the arbitrary assessment. Currently, the calculation of the base is standardized through the formula for calculating the base to facilitate and streamline the calculation of the base by the Zakat payers.

4-3 Estimation of Zakat base for arbitrary-assessed Zakat Payers

The zakat base of the arbitrarily assessed zakat payers is estimated based on the capital commensurate with the size of the Zakat payer's activity. The usual practice is that the average turnover rate of the capital is about 8 times per year and the average profit is 15% which has been guided by, so that the capital shall not be less than the capital as per the Commercial Registration, the required licenses of the business or any other documents through which the Authority may determine the capital, in accordance with the following formula:

$$\text{Zakat base} = \frac{\text{Sales (Revenues)}}{8} + (\text{Sales} \times 15\%)$$

Example (1)

The reported total sales for one of the Zakat payers who does not maintain regular accounts in the VAT return for the year 1441H amounted to SAR 1,000,000. How can the estimated Zakat base be computed for the activity?

VAT declaration data are used to determine sales made during the year.

First	Sales 8	+	Sales × 15%
Second	1,000,000	+	1,000,000 × 15%
Estimated capital of the activity	125,000	+	150,000
Zakat base	275,000		

4-4 How to calculate sales (revenue)

The sales (revenues) mentioned in paragraph (4-3) shall not be less than the sales stated in the VAT declaration. They are derived from the total sales (revenue) of the Zakat payer for the fiscal year. If the Zakat payer does not have sales (revenues) recorded in VAT, its sales are estimated according to the following criteria, whichever is greater:

Number of employees/labor x 6000

The number of employees is recognized by the General Organization for Social Insurance (GOSI) data, including Saudis and non-Saudis. The number of employees is calculated based on the average number of employees during the year.

Imports x 115%

Import data are recorded based on the data of the General Customs Authority.

Purchases x 115%

Purchases data is recognized by VAT declaration.

Total sales made through POS, Etimad Platform, export data, and national contract data. The sales data is verified by SAMA, the Ministry of Finance, and the Ministry of Finance's e-Government Financial Services platform

Any other criteria deemed by the Authority to reflect the fact of the Zakat payer's sales.

4-5 How to calculate Zakat

Zakat shall be at two and a half percent (2.5%) of the zakat base in the formula mentioned in paragraph 4-3.

$$\text{Zaka} = \text{Zakat base} \times 2.5\%$$

Example (2)

The Zakat base for one of the Zakat payers who is accounted for based on arbitrary assessment method for the year 1441H amounted to SAR 1,000,000.

How can Zakat be calculated?

Zakat	=	Zakat base	X	2.5%
Zakat	=	100,000	X	2.5%
Zakat	=	2,500		

4-6 Zakat Year

- The fiscal year of the Zakat payer is a lunar year (354) days or more, starting from the date of issuance of the commercial registration, or from the date of obtaining the first of the necessary licenses, or from the date of deposit of capital, whichever is earlier, unless the Zakat payer specifies another date for the beginning of the activity by a documentary proofs accepted by the Authority.
- The short financial period – beginning or end of activity, is not subject to zakat unless it is more than three hundred and fifty-four (354) days

Example (3)

An entity was established on 10/1/1441H (the date of issuance of the commercial registration), noting that the financial year ended on 29/12/1441H.

Accordingly, the entity is not subject to Zakat in the first financial period of the beginning of the activity as it is less than 354 days.

4-7 Minimum limit for zakat assessment on arbitrary basis:

Zakat for the zakat assessment on arbitrary basis should not fell below SAR 500.

Example (4)

A Zakat payer has a municipal license but has not practiced any activity during the year. it has no labor registered with the General Organization for Social Insurance.

How is Zakat calculated based on the arbitrary assessed method?

It will be accounted for the minimum amount Zakat which is SAR 500.

4-8 Recalculation of Zakat payer's sales

The Authority shall have the right to recalculate the sales of the Zakat payer if it finds that there are higher sales than what it was accounted for.

Example (5)

The Authority issued the Zakat assessment to one of the Zakat payers who was accounted for according to the arbitrary assessment method. The Authority finds out later that the sales on the basis of which the assessment issued has increased.

Accordingly, the Authority shall have the right to reissue a modified assessment that takes into account the increase in sales.

4-9 Accounting of the Zakat payer on the basis of commercial books (accounts)

The Authority shall have the right to change the accounting of a Zakat payer from arbitrary assessment basis to the accounts basis, if it is found that the Zakat payer maintains commercial books.

Example (6)

The Authority found that one of the Zakat payers who is accounted for on arbitrary assessment basis has issued financial statements and submitted them to a finance company to obtain financing.

Accordingly, the Authority shall have the right to request the Zakat payer to submit the financial statements and it will be accounted for based on the financial statements.

4-10 The shift from Zakat accounting based on arbitrary assessment

method to the accounting based on commercial books (accounts)

The Zakat payer who is accounted for according to the arbitrary assessment method shall have the right to switch to accounting based on the commercial books (accounts), in which case, upon acceptance of the transfer, the Zakat payer shall not be allowed to move back to be accounted for based on arbitrary assessment, except with the approval of the Governor of the General Authority of Zakat and Tax.

Basis of Zakat calculation

The calculation of Zakat for existing companies is generally based on accounting principles, since the Shariah concepts of Zakat can be applied to companies that prepare financial statements in accordance with the generally accepted accounting principles in Saudi Arabia, while verifying that the Zakat payer complies with the standard of presentation and disclosure and the accuracy of the mentioned notes, such as distinguishing between fixed and current assets, with the addition of some requirements related to the increase in the disclosure of the entity, such as type the entity's investments, and the extent of whether or not it is subject to zakat, which do not appear in the financial statements, but are necessary for the purposes of forming the Zakat base.

5. Illustrative Examples

5-1 The following example shows the calculation of the base based on the sales disclosed in the VAT declaration

Example (7)

The reported total sales for a Zakat payer who does not maintain statutory accounts in the VAT declaration for the year 1441H amounted to SAR 3,000,000.

How is the base calculated?

VAT declaration data are used to determine sales made during the year.

Firstly	Sales	+	Sales × 15%
	8		
Second	3,000,000	+	3,000,000 × 15%
	8		
	375,000	+	450,000
Zakat base =	825,000		
Zakat Due =	20,625		

5-2 The following examples illustrate the calculation of the base if the Zakat payer does not have VAT sales

Example (8)

Imports of a factory operating in the plastics industry, based on import data obtained through the Customs Authority for the year 1441H, amounted to SAR 110,000, while sales according to export data amounted to SAR 140,000.

How are sales and Zakat base calculated based on the arbitrary assessment method?

First, sales are estimated based on greater of import data or export data.

Second: Estimated sales based on import data

$$\text{Sales} = \text{Import Value} \times 115\%$$

$$\text{Sales} = 110,000 \times 115\%$$

$$\text{Sales} = \text{SAR } 126,500$$

Third: Estimated sales based on export data

$$\text{Sales} = \text{SAR } 140,000$$

It is found out that the sales in item (third) estimated on the basis of export data are the largest and therefore Zakat is calculated accordingly.

First	Sales	+	Sales × 15%
	8		
Second	140,000	+	140,000 × 15%
	8		
	17,500	+	21,000
Zakat base =	38,500		
Zakat Due =	963		

Example (9)

Sales of one of the Zakat payers through POS amounted to SAR 160,000, while the average number of employees registered with the General Organization for Social Insurance was 24.

How are sales and Zakat base calculated based on the arbitrary assessment method?

First: Sales are estimated through points of sale, or by number of employees; whichever is greater.

Second: Estimated sales based on sales through points of sale
Sales = SAR 160,000

Third: Estimated sales based on the average number of employees
Sales = 24×6000
Sales = SAR 144,000

It turns out that the sales in item (second) estimated on the basis of sales through the points of sale are the largest, and therefore Zakat is calculated accordingly.

First	Sales	+	Sales × 15%
	8		
Second	160,000	+	160,000 × 15%
	8		
	20,000	+	24,000
Zakat base =	44,000		
Zakat Due =	1,100		

Example (10)

The volume of imports of a factory operating in the field of plastics industry - based on the import data obtained through the Customs Authority for the year 1441H amounted SAR 120,000, while the average number of employees registered with the General Organization for Social Insurance 20 employees.

How are sales and Zakat base calculated based on the arbitrary assessment method?

First: Sales are estimated based on the data of imports or the data of the No. of employees, whichever greater

Second: Estimated sales based on import data

$$\text{Sales} = \text{Import Value} \times 115\%$$

$$\text{Sales} = 120,000 \times 115\%$$

$$\text{Sales} = \text{SAR } 138,500$$

Third: Estimated sales based on the average number of employees

$$\text{Sales} = 20 \times 6000$$

$$\text{Sales} = \text{SAR } 120,000$$

It is found out that the sales in item (second) estimated on the basis of export data are greater and therefore Zakat is calculated accordingly.

First	Sales	+	Sales × 15%
	8		
Second	138,000	+	138,000 × 15%
	8		
	17,250	+	20,700
Zakat base =	37,950		
Zakat Due =	949		

Example (11)

Imports of a business amounted to SAR 170,000, while sales through the points of sale were SAR 165,000.

How are sales and Zakat base calculated based on the arbitrary assessment method?

First: Sales are estimated based on import data, or sales made through POS; whichever is greater.

Second: Estimated sales based on import data

$$\text{Sales} = \text{Import Value} \times 115\%$$

$$\text{Sales} = 170,000 \times 115\%$$

$$\text{Sales} = \text{SAR } 195,500$$

Third: Sales from the points of sale = SAR 165,000.

It is found out that the sales in item (second) estimated on the basis of export data are greater and therefore Zakat is calculated accordingly.

First	Sales	+	Sales × 15%
	8		
Second	195,500	+	195,500 × 15%
	8		
	24,438	+	29,325
Zakat base =	44,000		
Zakat Due =	1,100		

Example (12)

A law and legal consulting firm that does not have revenue registered in the VAT, while the average number of employees registered with the General Organization for Social Insurance (19) employees.

How are sales and Zakat base calculated based on the arbitrary assessment method?

First: Sales are estimated based on the number of employees registered with the General Organization for Social Insurance.

Second: Estimated sales based on the average number of employees.

$$\text{Sales} = 6,000 \times 19\%$$

$$\text{Sales} = \text{SAR } 114,000$$

Third: Calculating the Zakat base based on the arbitrary assessment method.

It is found out that the sales in item (second) estimated on the basis of export data are greater and therefore Zakat is calculated accordingly.

First	Sales	+	Sales × 15%
	8		
Second	114,000	+	114,000 × 15%
	8		
	14,250	+	17,100
Zakat base =	31,350		
Zakat Due =	784		

Example (13)

An engineering consultancy office that does not have revenue recorded in VAT records, and based on an Etimad Platform data, it is found out that the office has entered in a contract of SAR 360,000 to oversee the implementation of a project with a government agency, while the average number of employees registered with the Public Organization for Social Security was 65 employees.

How are sales and Zakat base calculated based on the arbitrary assessment method?

First: sales are estimated based on Etimad Platform, or the number of employees; whichever greater.

Second: The estimated sales based on the Etimad Platform data.
Sales = SAR 360,000

Third: Estimated sales based on the average number of employees.

$$\text{Sales} = 6000 \times 115\%$$

$$\text{Sales} = \text{SAR } 390,000$$

Fourthly: It is found that the sales in item (third) estimated on the basis of the number of employees is greater and therefore Zakat is calculated accordingly.

Fifth: Calculating the base and Zakat based on the arbitrary assessment method.

First	Sales	+	Sales × 15%
	8		
Second	390,000	+	390,000 × 15%
	8		
	48,750	+	58,500
Zakat base =	107,250		
Zakat Due =	2,681		

Example (14)

A Zakat payer does not have revenue recorded in VAT records and based on Etimad platform data it is found to have a contract of SAR 160,000 to oversee the implementation of a project with a government entity, while sales through sales points amounted to SAR 205,000.

How are sales and Zakat base calculated based on the arbitrary assessment method?

First: sales are estimated based on total Etimad platform data and sales through POS.

Second: Sales based on Etimad platform = SAR 160,000

Sales at POS = SAR 205,000

Total = SAR 365,000

Third: Calculating the Zakat base based on the arbitrary assessment method.

It is found out that the sales in item (second) estimated on the basis of export data are greater and therefore Zakat is calculated accordingly.

First	Sales	+	Sales × 15%
	8		
Second	365,000	+	365,000 × 15%
	8		
	45,625	+	54,750
Zakat base =	100,375		
Zakat Due =	2,509		

Example (15)

Total purchases of a Zakat payer based on VAT declaration is SAR 250,000 while it has no sales recorded in VAT declaration.

First: sales are estimated based on purchases disclosed in the VAT declaration.

Second: Estimated sales based on purchases

Sales = 250,000 × 115%

Sales = SAR 287,500

Third: Calculating the Zakat Base based on the based on the arbitrary assessment method.

First	Sales	+	Sales × 15%
	8		
Second	287,500	+	287,500 × 15%
	8		
	35,938	+	43,125
Zakat base =	79,063		
Zakat Due =	1,977		

Example (16)

A Zakat payer who has a commercial registration, has not practiced any activity during the year, and does not have any employees registered with the social insurance; noting that its capital registered in the commercial registration is SAR 10,000.

How is Zakat calculated based on the arbitrary assessment method?

First: The capital recorded in the registers is considered the Zakat base.

Zakat base =	SAR 10,000
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Zakat due at 2.5% of Zakat Basket = 250 Saudi Riyals

Since the value of Zakat is less than SAR 500, Zakat is calculated according to the minimum limit of Zakat (i.e. SAR 500) based on the rules the arbitrary assessment method.

Example (17)

The capital of a Zakat payer amounted to SAR 100,000, while the value of sales disclosed through the VAT declaration was SAR 350,000.

How is Zakat base calculated based on the arbitrary assessment method?

First: the capital registered in the records is compared with the estimated capital of the business activity.

Second: the base calculation formula is used to reach the estimated capital of the activity

First	Sales	+	Sales × 15%
	8		
Second	350,000	+	350,000 × 15%
	8		
	43,750	+	52,500
Zakat base =	96,250		

Thirdly: it is found out that the registered capital is greater than the zakat base. Accordingly, Zakat is calculated based on the registered capital.

Zakat base = SAR 100,000.

Zakat due at 2.5% of Zakat base = SAR 2,500

Example (18)

A Zakat payer did not submit a Zakat declaration from 1435H to 1441H. How will it be accounted for based on arbitrary assessment method?

Since the Zakat payer did not submit any Zakat returns from 1435H to 1440H, it must follow the rules of Zakat assessment on arbitrary basis issued pursuant to the decision of His Excellency the Minister of Finance No. (852) dated 28/2/1441H, in calculating the zakat due for all pending years.

Example (19)

The Authority has issued the Zakat assessment for a Zakat payer on the basis of VAT data. The Zakat payer disagreed and filed an objection during the statutory period to challenging the validity of the assessment. Is the Zakat payer entitled to inquire and obtain the mechanism of calculating the Zakat base?

The Zakat payer shall have the right to inquire from the Authority and obtain a detailed statement of the calculation mechanism based on the sales disclosed by the Zakat payer in its declaration of the VAT submitted by itself, that was approved by the Authority, and in support of the method of calculating the Zakat base.

5-3 Comprehensive example

Example (20)

In a sole proprietorship entity, the average number of employees registered with the General Organization for Social Insurance (GOSI) averaged 27 employees for the year ended 29/12/1441H, the total imports during the same year amounted to SAR 126,913, the total sales took place through POS amounted to SAR 174,369 and the value of purchases through the VAT declaration was SAR 186,913 as the entity has no sales recorded in VAT. How is Zakat calculated based on the arbitrary assessment method?

Since the entity does not have sales recorded in VAT, sales are estimated from the data extracted from the number of employees, import data, procurement data through VAT declaration, or sales made through POS; whichever is greater.

First: Estimated sales based on the average number of employees

$$\text{Sales} = 27 \times 6000$$

$$\text{Sales} = \text{SAR } 162,000$$

Second: Estimated sales based on import data

$$\text{Sales} = 126,913 \times 115\%$$

$$\text{Sales} = \text{SAR } 145,950$$

Third: Estimated sales based on purchases

$$\text{Sales} = 186,913 \times 115\%$$

$$\text{Sales} = \text{SAR } 214,950$$

Fourth: Estimated sales based on points of sale and platform of approval and export data

$$\text{Sales} = \text{SAR } 174,369$$

It is clear that the sales in item (third) estimated on the basis of purchases data is greater and therefore Zakat base is calculated accordingly.

First	Sales	+	Sales × 15%
	8		
Second	214,950	+	214,950 × 15%
	8		
	26,869	+	32,243
Zakat base =	59,112		
Zakat due at 2.5% of Zakat base = SAR 1,478			

6. Calculation of Zakat and Issuance of the Assessment by the Authority

Based on the data and information available to the Authority through the VAT declaration and other sources mentioned earlier, the Authority will calculate the Zakat of the Zakat payer and issue an assessment at the end of the fiscal year of the Zakat payer including the calculation mechanism. Accordingly, ERAD system will issue an electronic invoice notice containing the payment number and the total amount of Zakat due under the assessment. When the payment transaction is complete, the system will issue the Zakat certificate directly in the absence of any amounts due to the Authority.

7. Objection and Appeal Procedures

In the event that Zakat payer does not accept a decision issued by the General Authority of Zakat and Tax (the Authority), it shall have the right to formally⁽¹⁾ object to that decision (within the prescribed period indicated in this section). There are three ways through which the Zakat payer can file a request for review (i.e. appeal) and solve the dispute related to the assessment of any other decisions issued by the Authority in respect of Zakat matters, as follows:

- Through internal review by the objections section at the Authority.
- Through the Authority's internal committee for dispute settlement.
- Through the grievance submitted to external committees: The Resolution of Dispute Committee and the Appeal Committee (also called the Tax Dispute and Appellate Committee).

7-1 Submission of objection

In case the Authority issues Zakat assessment, the Zakat payer will be notified of its right to object to the Authority's decision by filing the objection to the competent department through the Authority's electronic system "ERAD".

7-2 Guidelines of acceptance of the objection

In order to accept the objection of the Zakat payer against any decision of the Authority, the following guidelines shall be complied with:

1. Filing the objection within the regular period:

The objection shall be filed within sixty (60) days from the date of the assessment notification as mentioned in the notification. If the objection is not filed within the specified period of time, the assessment will be considered final. The application shall include at least points of dispute and reasons for objecting to the Authority's decision, as well as the supporting documents of the viewpoint of the Zakat payer.

2. Payment of amounts related to the assessment as follows:

The non-objected items:

The Zakat payer must pay the full amounts due on the non -objected items during the regular period of the objection.

(1) Article (25), Implementing Regulations

The form for filing an objection or appeal

طلب الاعتراض على إقرار

نوع الاعتراض

إشادة 1 - تقييم التقييم 2 - تقييم التقييم 3 - إشادة 4 - إشادة 5 - إشادة

← سابق | التالي → | ملاحظة | إشادة | وقت | حيا →

التعليق المعلق بالاعتراض (تعبئة المبدأ المطروح فيه، إلا من تحديد الإقرار بتسليمه على زر الإقرار أثناء)

رقم التقييم	ملاحظة	التاريخ	رقم التقييم	ملاحظة	التاريخ	رقم التقييم	ملاحظة	التاريخ	رقم التقييم	ملاحظة	التاريخ
1											

إضافة تعليق جديد

لزيادة نسبة التقييم المعلق بالاعتراض مع الإجابة على مذكر الاعتراض

الرقم:
التاريخ:
المرسلات:
المرسوم:



المملكة العربية السعودية
الهيئة العامة للزكاة والدخل
GENERAL AUTHORITY OF ZAKAT & TAX

(١٤٥)



تاريخ: ١٤٤٠/٠٩/٢٣ هـ
إشعار استلام الاعتراض

فرع الرياض

الرقم المميز :
رقم حالة الاعتراض :
المحترم
شخص اتصال

المكرم /

ص . ب : السعودية-

بعد التحية:
نفيدكم بأنه تم استلام اعتراضكم برقم: وتاريخ: هـ .
و ستقوم الهيئة العامة للزكاة و الدخل بدراسة الاعتراض و نرجو الاحتفاظ برقم الطلب المرجعي لأي استفسار مستقبلاً.

وتقبلوا تحياتنا.....

Objected Items

The Zakat payer shall pay part of the amounts due on the objected items during the statutory period of objection, being at least ten percent (10%) and not more than twenty five percent (25%) of the amounts due on the objected items, or submit a financial guarantee of at least fifty percent (50%) of the amounts due on the objected items.

2. Internal review

The Authority shall begin the internal review process after receipt of the objection, where the Review and Objections Section conducts the internal review of the assessment objected by the Zakat payer and responds to the objection within 90 days. The review process may result in one of the following:

- a. Full acceptance of the objection: The Authority shall then issue a new assessment instead of the first objected assessment and notify the Zakat payer accordingly.
- b. Partial acceptance of the objection: The Authority shall issue a new assessment instead of the first objected assessment and notify the Zakat payer accordingly.
- c. Rejection of the whole objection: The Authority shall notify the Zakat payer of the rejection of its objection to the previous assessment issued by the Authority.

In case of partial rejection or acceptance, the Authority or the Zakat payer may propose the involvement of the Internal Settlement Committee to resolve the dispute (See item 7.4). In the meantime, the Zakat payer shall file a grievance with the General Secretariat of the Tax Committees within 30 days from the date of issuance of the decision by the Review and Objections section of the Authority addressed to the Zakat payer, or in the event of the elapse of 90 days from the date of filing the objection without being decided by the Authority, in order to preserve the right to complete the formal grievance before the Dispute Settlement Committee against the Authority (See clause 7.3)

7-3 Grievance before the Competent Committees

The Implementing Regulation for Zakat Levy provided for applying the working rules of the two Resolution of Dispute and Appeal Committees on the Zakat payers with regard to tax violations and disputes mentioned in the Royal Decree No. M/113 for the year 1438H. Accordingly. The competent judicial authority before which the Zakat payer may appeal against the decisions of the Authority will be the Resolution of Dispute Committee and the Tax Dispute and Appellate Committee, which are both separate from the Authority.

The Zakat payer who wishes to object to the final decisions issued by the Authority shall file the objection directly with the Resolution of Dispute Committee within 30 days from the date of the reassessment notice or rejection of the objection, or if 90 days have elapsed from the date of filing the objection without being decided by the Authority. The decision of the Authority shall become final if no objection is received within the specified period. If the Zakat payer or the Authority objects to the decisions of the Resolution of Dispute Committee, the dispute shall be forwarded to the Appeal Committee which decisions are final, binding and may not be challenged.

7-4 Settlement of Dispute

The Authority formed a committee to settle Zakat disputes arising from the objection of Zakat payers to the assessments issued by the Authority.

The Settlement Committee is responsible for resolving disputes between the Authority and the Zakat payer. The Committee provides a resolution for disputes instead of filing a formal grievance before the Resolution of Dispute and Appeal Committees, which are the competent judicial bodies to consider Zakat disputes. The Zakat payer himself may submit a request to the Committee to consider the resolution issued by the Review Section at the Authority. The Authority itself may submit a request for review to the Committee in case the Zakat payer submitted the grievance to the Resolution of Dispute Committee. When the Zakat payer files an application to the Settlement Committee for issuing the settlement decision, the application shall include at least the points of dispute and the reasons for objecting to the decision of the Authority, in addition to the supporting documents for its point of view.

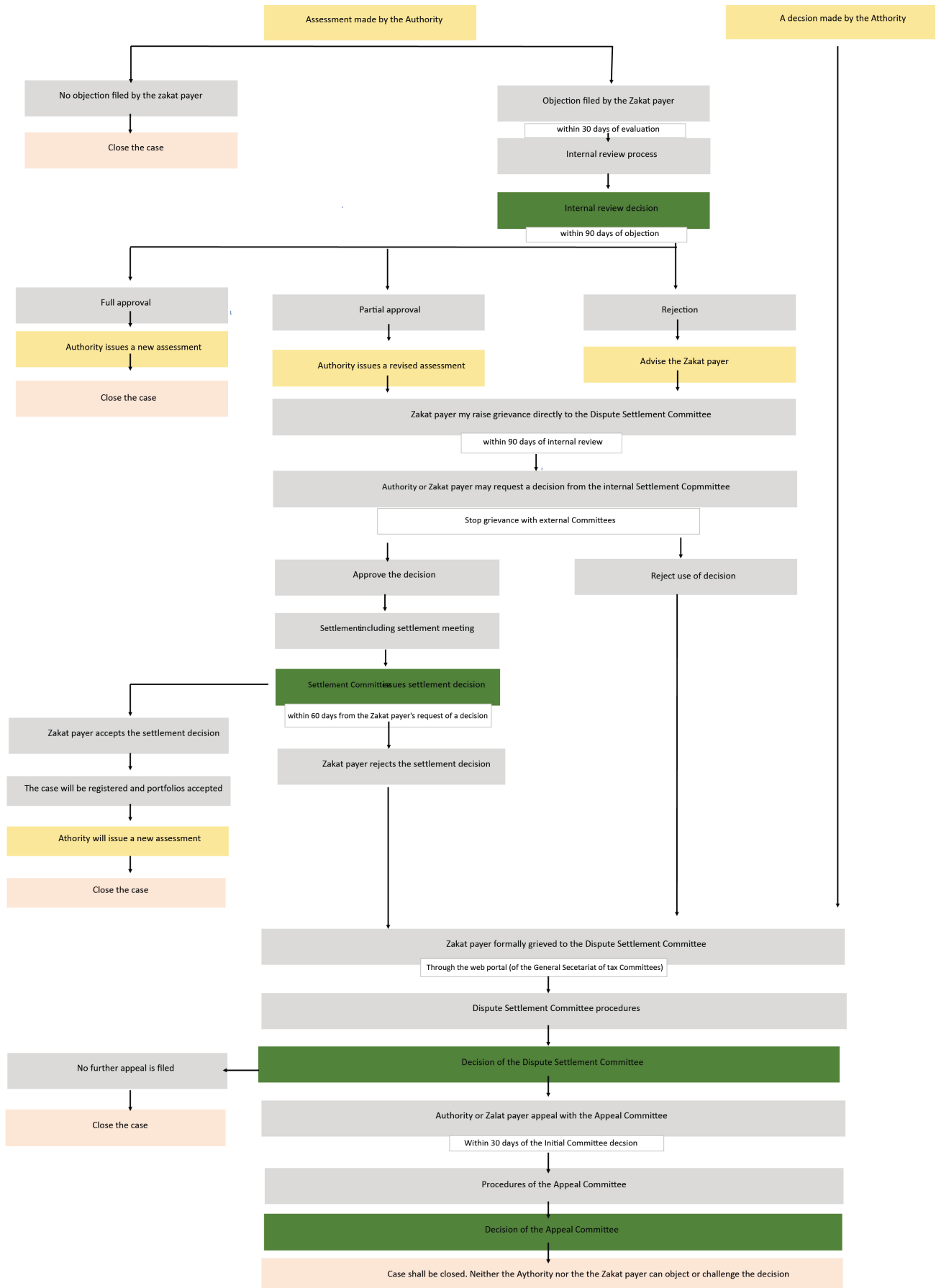
In the meantime, formal grievance procedures are suspended before the Resolution of Dispute Committee or the Appeal Committee, as a result of the request to go through the Dispute Settlement Committee, until the request for settlement has been denied, or the study has been rejected by the Committee.

The Settlement Committee shall notify the Zakat payer if the request for settlement of the dispute is accepted or rejected by the Settlement Committee within 30 days from the date of filing the request.

Cases of Settlement Rejection

Settlement will be rejected in the event of any of the following cases:

- If the Authority is not convinced with the reasons for the objection of the Zakat payer, and the Authority notifies the Zakat payer of the rejection of its application for issuing a settlement decision.



8. Contact Us

For more information on any Zakat transaction, please visit our website gazt.gov.sa or contact us at 19993.

Appendix: Frequently Asked Questions (FAQ)

1. What is the minimum limit of Zakat in the absence of activity?

The minimum amount is SAR 500.

2. Shall the Authority have the right to calculate Zakat based the financial statements obtained from sources other than those mentioned in the Guideline in the event that they differ from the Authority's data or information?

The Authority shall have the right to calculate Zakat based on any information that may be available to it through its sources or any other reliable source of data and information.

3. Should sole proprietorship entities that have a commercial registration and commercial books submit a declaration based on their commercial books or according to the rules of arbitrary-assessed Zakat payers?

Entities that have commercial books are obliged to submit their Zakat declaration based on the financial statements and commercial book.

4. Which entities are subject to arbitrary-assessed Zakat payers?

Any entity that does not have commercial books that reflect the fact of its activity and under no obligation to issue financial statements.

5. What is the reason for unifying the formula for calculating the base for the different activities that are subject to the arbitrary assessment?

This formula has been unified to make it easier for Zakat payers to apply, understand and work accordingly.

6. Is the Zakat payer required to submit a Zakat declaration?

Based on the data and information available to it, the Authority shall issue the Zakat return immediately after the end of the financial year without the need to submit a Zakat return (declaration) by the Zakat payer.

7. Is the Zakat payer entitled to object to the Authority's assessment?

The Zakat payer shall have the right to object to the Authority's assessment within 60 days from the end of the fiscal year.

