



# Guideline of **Estimated Zakat**



This guideline was issued by the Zakat, Tax and Customs Authority («ZATCA» or «Authority») to elucidate certain treatments regarding the implementation of the statutory provisions in effect as of the date of publication of this guideline. The content of this guideline may not be construed as an amendment to any of the laws and regulations applicable in the Kingdom.

Additionally, it should be noted that the indicative treatments outlined in this guideline will be carried out by the Authority in accordance with the applicable regulations. Where any clarification, explanation, or information given in this guideline is modified but the regulation remains the same, the updated indicative treatment shall then be applicable prospectively to transactions completed after the publication date of the guideline on the Authority's website.



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## 1. INTRODUCTION

### 1.1. About Zakat

Zakat is the third pillar of Islam. It is the most important financial way of worship at all. Therefore, it was mentioned repeatedly in the Glorious Qur'an. Allah Almighty has associated it with prayer in more than eighty verses. It is one of the key pillars that distinguishes a Muslim community from others, and a manifestation of the supremacy of Islamic legislations. It represents a successful way to fight poverty, alleviate the suffering of the needy, which lead to achievement of social solidarity.

### 1.2. Collection of Zakat

What evidences the great regard of Zakat in Islam is assigning its management and supervision to the State. In fact, the State is the entity responsible to collect Zakat on funds and spend it on those entitled, by assigning some personnel (Zakat Employees) to visit the owners of funds throughout the Islamic State, calculate the amount of their Zakat, then collect it from them, and supervise the disbursement and distribution of it to the beneficiaries.

ZACTA undertakes the task of levying Zakat. It undertakes all procedures related to the taxpayer's Zakat calculation, starting with the registration of the taxpayer, through the process of calculating the amount of Zakat for the taxpayer, which includes supervision of the taxpayer's submission of Zakat Reports, payment procedures, examination of the submitted statements, and verification of them by well-trained personnel working at ZATCA, and ending with the issuance of the Final Zakat Certificate. This may also include examining the resulting taxpayers' objections to ZATCA's Zakat amounts assigned thereto.

### 1.3. Zakat Collection in the Kingdom of Saudi Arabia

The collection of Zakat and its disbursement to those entitled is one of the basic tasks of the State, as stipulated in the Basic Law of Governance in Article 21, (Zakat shall be collected and disbursed in its disbursement channels). Article 7 set forth evidence of the State's attention to the duties of Sharia and its commitment thereto in general, which includes collecting Zakat and disbursing it to the beneficiaries. It stipulates as follows: (Government in Saudi Arabia derives



power from the Holy Qu'ran and the Prophet's tradition. They are the rules governing the Law as well as all State laws).

In confirmation of the foregoing, during the reign of the Founder King Abdul-Aziz -may Allah have mercy on him- Royal Decree No. (17/2/28/8634) dated Jumada Al-Thani 29, 1370 AH corresponding to April 6, 1951 AD, was issued containing the order to collect Zakat. The said Royal Decree was followed by many royal decrees confirming it as well as executive ministerial resolutions, in addition to the regulations and circulars, including: Royal Decree No. (M/40) dated Rajab 2, 1405 AH, and the Executive Regulations for Levying Zakat promulgated by Ministerial Resolution No. (2082) dated Jumada Al-Thani 1, 1438 AH corresponding to (February 28, 2017 AD), and the Executive Regulations for Levying Zakat promulgated by Ministerial Resolution No. (2216) dated Rajab 07, 1440 AH corresponding to (March 14, 2019 AD), which is applied to the Zakat Years (ZY) commencing from January 1, 2019 AD for all taxpayers, except for those who are treated under the discretionary method in accordance with Chapter Four of the Regulations, for whom the Regulations shall apply to their reports submitted after December 31, 2019 AD. Therefore, the Executive Regulations for Levying Zakat promulgated on 07/07/1440 AH do not apply to the fiscal years prior to the said date, but rather those years shall be treated in accordance with the previous regulations and instructions prior to the said date. The Executive Regulations for Levying Zakat has been particularly concerned with clarifying the provisions for levying commercial activities, besides other zakat funds, the requirements for submitting the Zakat Declaration, procedures for examination, assessment, and payment, and their respective terms.

The Zakat proceeds collected by ZATCA are received and deposited in the Social Security Account, which is responsible for disbursement to the poor and needy in accordance with Royal Decree No. (16/5/1) Dated 05/01/1383 AH corresponding to (May 28, 1963 AD), wherein Paragraph (1) provides for: "Zakat shall be collected in full from all joint stock companies, and others, and individuals who are subject to Zakat." In addition, Paragraph (2) stipulates: "All amounts collected shall be returned to the Social Security Fund."



#### 1.4. Zakat, Tax and Customs Authority

ZACTA is the authority entitled to collect Zakat in the Kingdom of Saudi Arabia (KSA). It was entrusted with the collection duties in implementation of the Royal Decree No. (17/ 2/ 28/ 8643), dated 29/ 06/ 1370 AH, which stipulates that Zakat shall be collected from Saudis.

It was established pursuant to the Ministerial Resolution No. (394), dated 07/08/1370 AH, as one of the government entities affiliated with the Ministry of Finance, and it was entrusted with the task of collecting the Zakat.

Then, the Royal Decree No. (61) was issued on 05/01/1383 AH, which included the order to collect zakat in full and supply it to the Social Security Corporation.

A number of royal decrees and ministerial resolutions followed regulating the works of levying Zakat, key of which are: Royal Decree No. (M/40) issued on 02/07/1405 AH, which contained the order to collect zakat in full from all companies, institutions, others, and individuals who are subject to zakat. Then, the Executive Regulations of the Royal Decree No. (M/40) was issued under the Ministerial Resolution No. (2082), dated 01/06/1438 AH.

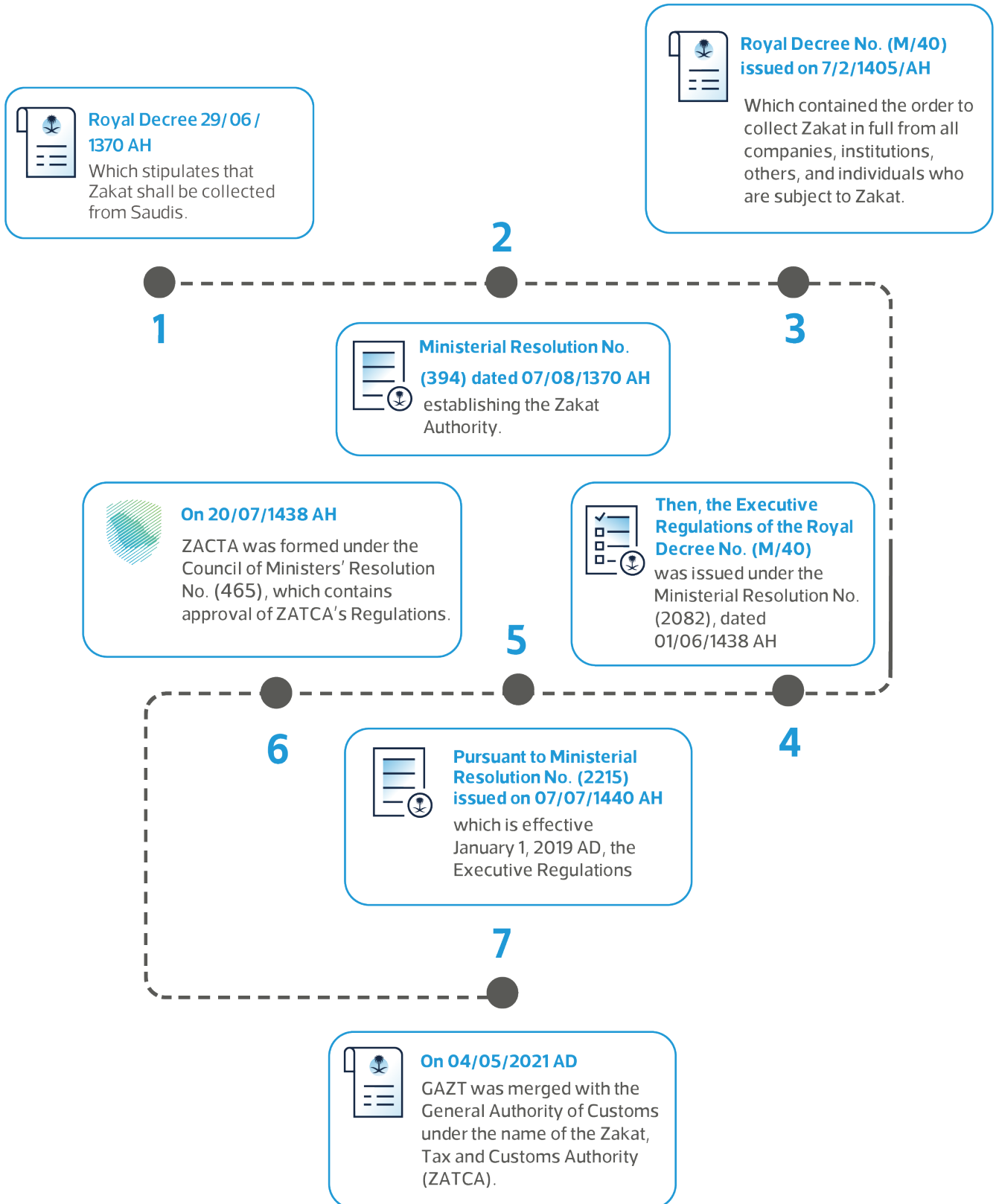
On 20/07/1438 AH, ZACTA was formed under the Council of Ministers' Resolution No. (465), which contains approval of ZATCA's Regulations.

The Executive Regulations for Levying Zakat was promulgated pursuant to Ministerial Resolution No. (2216) issued on 07/07/1440 AH, which is effective from January 01, 2019 AD.

On 04/05/2021 AH, the General Authority for Zakat and Tax was merged with the General Customs Authority under the name of the Zakat, Tax and Customs Authority (ZATCA).



## Stages of Organizing Collection of Zakat







## 1.5. ZATCA's Tasks

ZATCA's Regulations defined the tasks of ZATCA in Article (3) thereof, which include the following:

- Collecting Zakat and taxes as well as custom fees from taxpayers in accordance with the relevant regulations and instructions.
- Providing high-quality services to taxpayers to support them in fulfilling their duties.
- Liaising with taxpayers and taking the necessary measures to ensure the collection of dues.
- Raising awareness among taxpayers, enhancing the degree of understanding and voluntary commitment to compliance and ZATCA requirements.
- Leveraging modern technology in implementing, monitoring, and facilitating ZATCA's operation, and in enhancing the security role in combating customs smuggling.
- Cooperating with the private sector in the implementation and management of some supportive works.
- Developing the necessary plans to organize, manage, and invest the facilities of customs ports in coordination with the relevant authorities.
- Setting standards for following up on the performance indicators of ZATCA's works and plans, which ensure the development of its performance and services. ZATCA may coordinate in this regard with whomever it deems appropriate from the relevant authorities.
- Cooperating and exchanging experience and best practice with regional and international bodies and organizations.



Follow-up of the taxpayers to ensure that the dues are collected.



Providing high-quality services to help and serve taxpayers.



Collecting zakat and taxes



Representing KSA in regional and international forums and conferences related to ZATCA's tasks.



Cooperation and exchange of experiences with regional and international bodies and organizations.



Spreading awareness amongst taxpayers and monitoring their commitment to the instructions and controls issued by ZATCA

## 1.6. About this Manual

This Manual provides guidelines, basic information on the requirements for levying zakat and the mechanism of its application, and the obligations of persons subject to zakat (the "taxpayer"). It helps form a clear vision and provides guiding instructions regarding the practical applications of Zakat collection in KSA.

This Manual constitutes ZATCA's concept and interpretation regarding the implementation of the Executive Regulations for Levying Zakat issued on 071440/07/ AH and the Rules for Calculating Estimated Zakat Taxpayers issued by Resolution No. (2502) dated 031442/07/ AH. It is worth noting that this Manual is not a legal document, and its contents are only of a guiding nature, and it does not aim to contain all relevant provisions of the Executive Regulations for Levying Zakat. Although these guidelines are not binding on ZATCA or the taxpayer with respect to any transaction to be carried out; they provide general guidelines on how ZATCA treats zakat-related procedures on a practical level.



To check the instructions on any transaction, you can visit the official website of ZATCA at ([gast.gov.sa](http://gast.gov.sa)), which contains a wide range of tools and information specially-developed to assist the taxpayer, including visual guidance materials and all relevant data, as well as responses to the Frequently-Asked Questions (FAQs).

## **2. ZAKAT CONCEPTS, TERMS, AND CALCULATION METHODS**

### **A. The “Regulations”**

The Executive Regulations for Levying Zakat issued by Ministerial Resolution No. (2216) dated 071440/07/ AH.

### **B. The “Rules”**

The Rules for Calculating Estimated Zakat Taxpayers, Version No. (2.0), issued by Ministerial Resolution No. (2502), dated 031442/07/ AH.

### **C. The “Estimated Zakat Taxpayers”**

Any Zakat taxpayer who does not have financial statements and regular accounts that reflect the reality of his/her activity, and is not obligated to issue financial statements and maintain regular accounts in accordance with the relevant applicable laws, regulations, and rules.

### **D. The “GOSI”**

The General Organization for Social Insurance (GOSI),

### **E. The “ZATCA”**

The Zakat, Tax and Customs Authority.

### **F. The “Points of Sale Data”**

Data of the Points of Sale Data “POS” executed through the Saudi Payments Network provided by the Saudi Central Bank.

### **G. The “Etimad Platform”**

The electronic platform for government financial services of the Ministry of Finance.



## H. The "Zakat Year/ZY"

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

## I. Collection of Zakat

The State's calculation of zakat on funds, which are subject to zakat, collecting it from the taxpayer, and delivering it to the Social Security Administration to spend it on the security beneficiaries.

Collection of zakat is one of the tasks of the State. The Prophet -Peace Be Upon Him- sent messengers every year to collect zakat from all Muslims. This task is currently being carried out, on behalf of the Ruler, by ZATCA in accordance with the relevant laws, regulations, and rules. ZATCA issued the regulations and rules governing the collection of Zakat, and provided high-quality services to taxpayers to help them fulfill their duties, as well as collect and supply the same to the Social Security Administration to disburse zakat to the security beneficiaries.

## J. Methods of Calculating Zakat for Companies

Contemporary companies' zakat is calculated according to one of the following methods:

- Direct Method (the net zakat assets method).
- Indirect Method (method of sources of funds).
- The estimated calculation method.

The procedures of each method differ from the other, and the items used in them for the purposes of calculating zakat, despite agreement in the result (the "Zakat Base/ZB"); both methods (direct and indirect) reach the same result if they are properly applied and the same criteria and data are used, unlike the third method. The following is a summary of the three methods:

### **Direct Method (the net zakat assets method):**

This method is based on two basic procedures, namely:

- Add all the zakat assets of the establishment, including the receivables of the taxpayer.



- Deduct the value of the obligations that financed the zakat assets. The result of this equation is ZB for the taxpayer.

$$\text{ZB} = \text{All Zakatable Assets} - \text{All Obligations Financed}$$

### **Indirect Method (method of sources of funds):**

This method is based on two basic procedures, namely:

- **Addition:**

1. External sources of funds exhausted in deductible component of ZB, which include long-term liabilities, and liabilities that are known to have financed a deductible item; as such obligations shall be added to the extent that they do not exceed the deductible assets.
2. All sources of internal funds for the establishment (capital, retained earnings, etc.)
3. Adjusted net profit for the year subject to calculation.

- **Deduction:**

1. The value of the non-Zakat assets of the establishment that is deductible in accordance with the terms of the Regulations.
2. The value of zakat assets in other establishments, such as: (investment in shares of Saudi companies).

The result of this equation is ZB for the taxpayer. This method is followed by ZATCA.

$\text{ZB} = \text{All internal sources of funds (equity, provisions, net profit, and adjusted profit for the year)} + \text{external sources of funds not exceeding deductible assets (long-term obligations and obligations known to have financed deductibles)} - \text{non-zakatable assets} - \text{zakatable assets, or adjusted net profit for the year; whichever is greater.}$

### **Estimated Calculation Method:**

A method used by ZATCA in calculating zakat for the taxpayer who does not have financial statements and regular accounts. The principle in the formation of ZB for the taxpayer is based on his/her statutory records that include the data through which ZB can be determined, and when



this can't be done, ZATCA forms a ZB for him/her, according to the information available about him/her, so that his/her ZB can be approached as closely as possible.

Taxpayers whom ZATCA handles using the estimation method are not subject to said rules, given that they are not required to keep accurate commercial books, inconsistency of the data contained in the commercial books with the reality of the activity, failure to submit the declaration of the specified periods, or other cases stipulated in Article (11) of the Executive Regulations for Levying Zakat.

In this case, ZATCA may make an estimated assessment, according to its discretion in light of the circumstances and facts related to the case and the information available thereto.

### **3. SHARIA-BASED RULING FOR THE RULES OF CALCULATING ESTIMATED ZAKAT TAXPAYERS**

The estimation method depends on criteria aimed at identifying ZB by defining tools that roughly reveal the volume of activity and the number of capital cycles, to reach a fair estimate of ZB, and its implementation contributes to providing data that reveals the size of zakatable assets.

Therefore, ZATCA, through its experience in levying zakat, examining, and dealing with taxpayers, came up with rules by which the funds subject to zakat can be determined, bearing in mind that the application of said rules is limited to taxpayers who do not keep commercial books. The reference for the calculating the Estimated Zakat Taxpayers is realistic rules based on Islamic Sharia, which approved "Al-Khars: estimating the dates on palm trees" when collecting zakat, because Al-Khars is in fact an estimate and diligence in knowing the amount of zakatable assets. It is a tool amongst measurements and standards. The correlation between facilitating the calculation of the Estimated Zakat Taxpayers by comparison to Al-Khars is that the calculation of zakat of the Estimated Zakat Taxpayers, as per ZATCA's procedures, is based on the application of tools that accommodate all taxpayers, and their implementation entails the disclosure of the zakatable assets for ZATCA.

The Sharia Committee at ZATCA issued Resolution (No. 1) regarding the permissibility of estimating when calculating zakat, provided that it is according to data that accurately reflects the



reality of the taxpayer. When ZATCA is able to peruse data or information that more accurately reveals the reality of the taxpayer, it shall depend thereon.

In addition, the Sharia Committee at ZATCA issued Resolution (No. 6) which approved the rules for calculating Estimated Zakat Taxpayers (2.0).

## **4. Determining ZB for Estimated Zakat Taxpayers**

### **4.1. Taxpayers Subject to the Rules of Calculating Estimated Zakat Taxpayers**

The Rules for Calculating the Estimated Zakat Taxpayers (Version 2.0) were issued based on the Resolution of His Excellency the Minister of Finance No. (2502) dated 031442/07/ AH, which approved the draft rules for calculating the estimated Zakat taxpayers, and said rules replace the rules for calculating the estimated Zakat taxpayers issued by the Ministerial Resolution No. (852) dated 281441/02/ AH.

The Rules for Calculating the Estimated Zakat Taxpayers (Version 2.0) shall apply to the taxpayer's estimated assessment declarations that ZATCA assesses after 281442/02/ AH.

### **4.2. Estimated Capital and Profit**

The Estimated Zakat Taxpayers Rules issued based on the Resolution of His Excellency the Minister of Finance No. (2502) dated 031442/07/ AH seek to reach the estimated capital in addition to the estimated profit that can be relied-upon to identify ZB for the Estimated Zakat Taxpayers, knowing that the rules for calculating the Estimated Zakat Taxpayers were, in the past in some of its procedures, relying on identifying capital and profit through rules specific to each activity separately, which was a burden on Estimated Zakat Taxpayers in calculating ZB. Currently, ZB calculation is standardized through ZB Calculation Equation so that Estimated Zakat Taxpayers can easily calculate ZB.

### **4.3. Estimating ZB for Estimated Zakat Taxpayers**

ZB for Estimated Zakat Taxpayers is estimated based on determining a capital commensurate with the size of the taxpayer's activity. It is customary in activities that the average turnover of



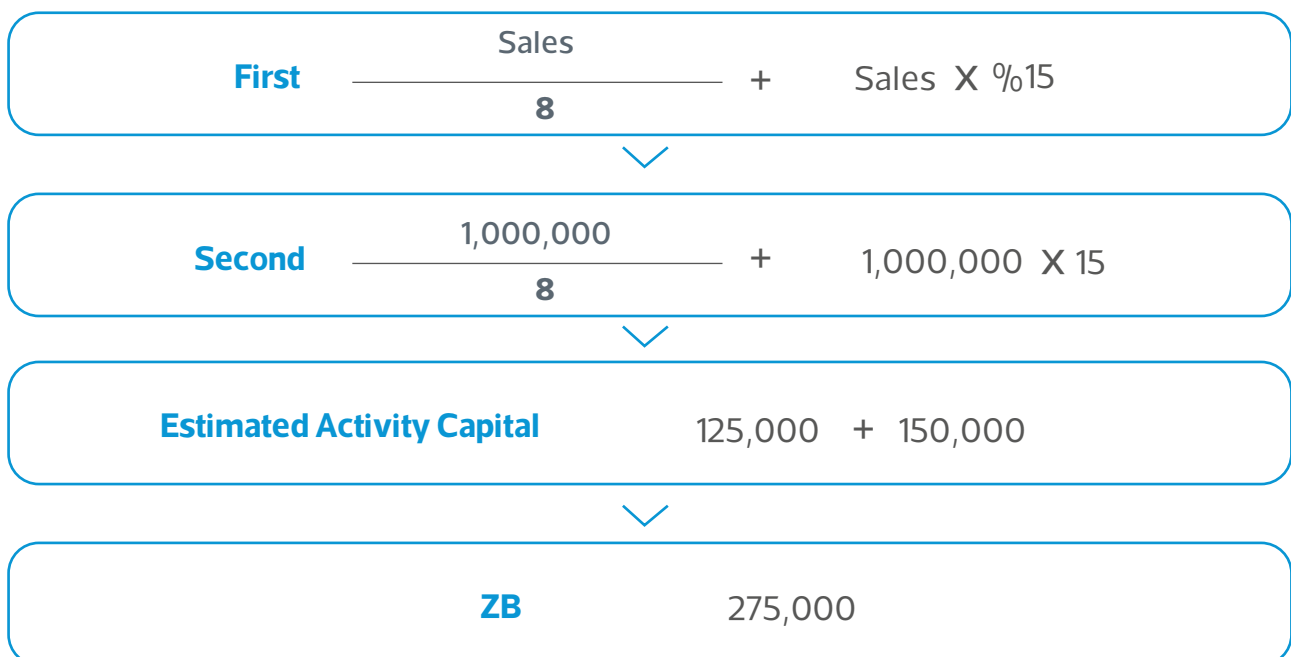
capital is approximately 8 times a year, and the average profit is 15%, which is what has been adopted, no less than the capital provided in the commercial records, licenses issued for the activity, or any other documents through which ZATCA can determine the capital, according to the following equation:

$$\text{ZB} = \frac{\text{Sales (Revenue)}}{8} + (\text{Sales} \times 15\%)$$

**Example 1:** The total sales that were disclosed to one of the taxpayers subject to the Rules of Calculating the Estimated Zakat Taxpayers who do not maintain regular accounts, within VAT, for 1441 AH amounted to SAR 1,000,000.

**How is the estimated ZB for the activity calculated?**

VAT Declaration data shall be used to determine the sales made during the year.



#### 4.4. Method of Calculating Sales (Revenues)

Sales (revenues set forth in Paragraph 4.3) shall not be less than the sales disclosed in VAT Declaration, including taxable, zero-rated, and exempt sales, in addition to the data disclosed in the real estate disposal for economic activities tax. The sales disclosed in





VAT Declaration and real estate tax data as a whole are deemed sales by the taxpayer, for which s/he shall be payable during ZY.

Determining ZY sales is based on the total returns submitted for the most recent disclosed tax period or year.

**Example 2:** If ZATCA estimates the zakat of one of the Estimated Zakat Taxpayers on 012021/03/ AD, on what exactly does it depend in identifying sales?

It uses the taxpayer's sales in accordance with VAT Declarations submitted during ZY of the taxpayer, and the tax data on real estate disposal.

If the taxpayer does not have sales (revenues) recorded in the added value, his/her sales are estimated according to the following criteria, whichever is greater.

**Average Number of Employees (Labor) x 6000**

The number of employees shall be recorded through the data of GOSI, 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 is recorded based on the data of the General Authority of Customs.

**Purchases x 115%**

Purchase data is verified through the VAT return.

Total sales made through POS, Etimad Platform, export data, and contract data.  
The sales data is verified through the Saudi Central Bank, the Ministry of Finance, and the electronic platform for government financial services of the Ministry of Finance.

**Any other criteria that ZATCA deems to reflect the reality of the taxpayer's sales**



#### 4.5. Method of calculating Zakat

The zakat is two and a half percent (2.5%) of ZB provided in the equation previously explained in Paragraph (4.3).

$$\text{Zakat= ZB x 2.5\%}$$

**Example 3:** ZB for a taxpayer, under the Estimated Zakat Taxpayers method, for 1441 AH was SAR 100,000.

**How is zakat calculated?**

$$\text{Zakat= ZB x 2.5\%}$$

$$\text{Zakat= 1,000,000 x 2.5\%}$$

$$\text{Zakat= 2,500}$$

#### 4.6. Zakat Year

- The fiscal year of the taxpayer is the lunar year (354) days or more, commencing from the date of issuing the commercial register, from the date of obtaining the first necessary license, or from the date of depositing the capital, whichever is earlier, unless the taxpayer specifies another date for the beginning of the activity with documented evidence accepted ZATCA.
- The short financial period -the beginning or the end of the activity- shall not be subject to zakat unless it is more than three hundred and fifty-four (354) days.

**Example 4:** An establishment was established on 10/01/1441 AH (the date of issuance of the commercial registration), noting that the fiscal year ended on 12/29/1441 AH.

**Accordingly, the establishment shall not be subject to zakat for the first financial period of the beginning of the activity, as it is less than 354 days.**



#### 4.7. Minimum Threshold of Estimated Zakat Taxpayers:

The zakat of the taxpayer subject to the rules of calculating zakat under the Estimated Zakat Taxpayers shall not be less than SAR 500.

**Example 5:** A taxpayer who has a municipal license and has not practiced any activity during the year, and does not have any registered employment with GOSI.

**How zakat is calculated based on the estimated calculation?**

**The minimum zakat is calculated at SAR 500.**

#### 4.8. Recalculation of the Taxpayer's Sales:

ZATCA has the right to recalculate the taxpayer's sales if it finds that there are more sales than it was charged for.

**Example 6:** ZATCA issued a zakat assessment to one of the taxpayers subject to the Estimated Zakat Taxpayers method. ZATCA then found that the sales that were relied-upon when issuing the assessment for the same period have increased thereafter.

**Accordingly, ZATCA has the right to re-issue a revised assessment that takes into account the increase in sales.**

#### 4.9. Calculating Zakat for Taxpayers Based on Commercial Books (Accounts):

ZATCA has the right to hold the taxpayer accountable in accordance with the rules for calculating the Estimated Zakat Taxpayers on the basis of the accounts if it finds that the taxpayer maintains commercial books.

**Example 7:** ZATCA found that one of the taxpayers subject to the Estimated Zakat Taxpayers has issued financial statements and submitted them to a finance company to obtain financing.

**Accordingly, ZATCA has the right to request the taxpayer to submit the financial statements and hold him/her accountable accordingly.**

#### 4.10. Shift of Calculation from the Estimated Zakat Taxpayers Method to Commercial Books of Accounts):

A taxpayer who is subject to the Estimated Zakat Taxpayers method has the right to shift to



commercial books (accounts) before the end of ZY. In this case, upon acceptance of the shift, the taxpayer shall not be allowed afterwards to shift back to Estimated Zakat Taxpayers except with the approval of the Governor of ZATCA.

## 5. Deeming Estimate a Zakat Amount

When ZATCA assesses zakat for a taxpayer to whom the rules for calculating zakat as an estimate apply; such an assessment made by ZATCA shall be deemed a decided amount upon which the assessment provisions contained in the regulations shall apply. Thus, the taxpayer shall pay the amounts due under said assessment within (60) days from the assessment date, unless s/he objects thereto within the statutory period.

**Example 8:** ZATCA estimated the zakat for one of the taxpayers subject to the Estimated Zakat Taxpayers method, and issued its amount on 012021/04/ AD.

**The taxpayer shall pay the said amount within (60) days from the date of his/her notification of the estimated assessment made by ZATCA, which is the period specified for submitting the objection to ZATCA.**

## 6. Final Amendment to Tax Statements

If ZATCA estimates the taxpayer's zakat based on VAT Declarations s/he submitted thereto or real estate disposal tax data, then final amendments were made to these data, the zakat assessment shall be adjusted based on such an amendment and the zakat shall be reassessed, whether it is with an increase or a decrease.

**Example 9:** On 152021/03/ AD, ZATCA made the estimated assessment of one of the taxpayers subject to the Estimated Zakat Taxpayers method, based on the data disclosed in VAT Declaration, and the real estate tax data available to ZATCA, and the data were as follows:



<b>Total Sales</b> (VAT Declarations + Real Estate Disposal Tax)	<b>SAR 1.000.000</b>
<b>Estimated Capital = Sales ÷ 8</b>	<b>SAR 125.000</b>
<b>Estimated Profit = Sales x 15%</b>	<b>SAR 150.000</b>
<b>ZB</b>	<b>SAR 275.000</b>
<b>Due Zakat</b>	<b>SAR 6.875</b>

On 01/07/2021 AD, a final amendment was made to one of the VAT Declarations, so that the data is as follows:

<b>Total Sales (VAT Declarations + Real Estate</b> <b>(Disposal Tax</b>	<b>SAR 1.400.000</b>
<b>Estimated Capital = Sales ÷ 8</b>	<b>SAR 175.000</b>
<b>Estimated Profit = Sales × % 15</b>	<b>SAR 150.000</b>
<b>ZB</b>	<b>SAR 385.000</b>
<b>Due Zakat</b>	<b>SAR 9.625</b>
<b>Accordingly; the zakat assessment amount that the taxpayer shall pay is the zakat due, namely: SAR 9.625</b>	



## 7. UNIQUE NUMBER CONSOLIDATION

The taxpayer shall be subject to these rules based on the unique number, regardless of the number of records or licenses included under the number, so that all commercial records are accounted for as one taxpayer as long as they are under the same unique number.

**Example 10:** A taxpayer has three commercial records under one unique number, and all records are accounted for according to the Estimated Zakat Taxpayers method, and has data for VAT declarations, and real estate disposal tax as follows:

	Capital in the Commercial Register	Total Sales as per the VAT Declarations and Real Estate Disposal Tax:
Commercial Register No. 1	SAR 50.000	SAR 700.000
Commercial Register No. 2	SAR 20.00	SAR 200.000
Commercial Register No. 3	SAR 10.000	SAR 0



### How is estimated zakat calculated for the taxpayer?

Based on considering the unique number of the taxpayer under which a number of sub-registers fall as one taxpayer; zakat shall be calculated.

Total Sales (VAT Declarations + Real Estate Disposal Tax)	Total Sales as per the VAT Declarations and Real Estate Disposal Tax:
Total Sales (VAT Declarations + Real Estate Disposal Tax)	SAR 900.000
Estimated Capital = Sales ÷ 8	SAR 112.500
Estimated Profit = Sales × 15%	SAR 135.000
ZB	SAR 247.500
Due Zakat	SAR 6.187,5

**Example 11:** A taxpayer has several commercial records under one unique number, and not all of these records are required to submit financial statements. How is the minimum (SAR 500) calculated for such records?

These records are deemed as a single taxpayer as long as they fall under a unique number, and if the taxpayer does not have sales disclosed in VAT Declaration and the real estate disposal tax, and other criteria do not apply thereto; the taxpayer shall pay the minimum (SAR 500) for the unique number.

## 8. ILLUSTRATIVE EXAMPLES

### 8.1 Calculation of ZB Based on the Sales Disclosed in the VAT Declaration

**Example 12:** The total sales that were disclosed by a taxpayer who does not have regular



accounts in VAT Declaration for 1441 AH amounted to SAR 3,000,000.

### How is ZB calculated?

VAT Declaration data shall be used to determine the sales made during the year.

$$\text{First } \frac{\text{Sales}}{8} + \text{Sales} \times 15\%$$



$$\text{Second } \frac{3,000,000}{8} + 3,000,000 \times 15\%$$
$$375,000 + 450,000$$



$$\text{ZB} = 825,000$$



$$\text{Due Zakat} = 20,625$$

## 8.2. Calculating ZB if the Taxpayer does not have Sales Registered in VAT

**Example 13:** The volume of imports of one of the factories working in the field of plastics industry, based on the import data obtained through the Customs Authority for 1441 AH, amounted to SAR 110,000, while sales through export data amounted to SAR 140,000.





### How are sales and ZB calculated based on the estimated calculation?

**First** Sales are estimated based on import data, or export data, whichever is greater.

**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 turns out that the sales in item (Third) estimated based on export data are the greater and accordingly zakat is calculated based thereon.

$$\text{First} \quad \frac{\text{Sales}}{8} \quad + \quad \text{Sales} \times 15\%$$



$$\text{Second} \quad \frac{140,000}{8} \quad + \quad 140,000 \times 15\%$$
$$17,500 \quad + \quad 21,000$$



$$\text{ZB} = \quad \quad \quad \mathbf{38,500}$$



$$\text{Due Zakat} = \quad \quad \quad \mathbf{963}$$



**Example 14:** Sales of one of the taxpayers that were made through POS amounted to SAR 160,000, while the average number of employees registered with GOSI reached 24 employees.

**How are sales and ZB calculated based on the estimated calculation?**

**First** Sales are estimated based on import data, or export data, whichever is greater.

**Second** Estimated Sales Based on Sales through POS  
Sales = SAR 160,000

**Third** Estimated Sales Based on Average Number of Employees' Data  
Sales = 24 x 60000  
Sales = SAR 144,000

It turns out that the sales in item (Third) estimated based on export data are the greater and accordingly zakat is calculated based thereon.

$$\text{First} \quad \frac{\text{Sales}}{8} + \text{Sales} \times 15\%$$



$$\text{Second} \quad \frac{160,000}{8} + 160,000 \times 15\% \\ 20,500 + 24,000$$



$$\text{ZB} = 44,000$$



$$\text{Due Zakat} = 1,100$$



**Example 15:** The volume of imports of one of the factories working in the field of plastics industry, based on the import data obtained through the Customs Authority for 1441 AH, amounted to SAR 120,000, while the average number of employees registered with GOSI amounted to 20 employees.

**How are sales and ZB calculated based on the estimated calculation?**

**First** Sales are estimated based on import data, or export data, whichever is greater.

**Second** Estimated Sales Based on Import Data

**Sales** = Import Value x 115%

**Sales** = 120,000 x 115%

**Sales** = SAR 138,000

**Third** Estimated Sales Based on Average Number of Employees' Data

**Sales** = 20 x 6000

**Sales** = SAR 120,000



It turns out that the sales in item (Third) estimated based on export data are the greater and accordingly zakat is calculated based thereon.

$$\text{First } \frac{\text{Sales}}{8} + \text{Sales} \times 15\%$$



$$\begin{array}{r} \text{Second } \frac{138,000}{8} + 138,000 \times 15\% \\ 17,250 + 20,700 \end{array}$$



$$\text{ZB} = 37,950$$



$$\text{Due Zakat} = 949$$

**Example 16:** The imports of a commercial establishment amounted to SAR 170,000, while the value of sales made through POS was SAR 165,000.

**How are sales and ZB calculated based on the estimated calculation?**

**First** Sales are estimated based on import data, or export data, whichever is greater.

**Second** Estimated Sales Based on Import Data

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

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

$$\text{Sales} = \text{SAR } 138,000$$

**Third** Estimated Sales Based on Average Number of Employees' Data

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

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



It turns out that the sales in item (Third) estimated based on export data are the greater and accordingly zakat is calculated based thereon.

$$\text{First } \frac{\text{Sales}}{8} + \text{Sales} \times 15\%$$



$$\begin{array}{r} \text{Second } \frac{195,000}{8} + 195,500 \times 15\% \\ 24,438 + 29,325 \end{array}$$



$$\text{ZB= } 53,763$$



$$\text{Due Zakat= } 1,344$$

**Example 17:** A law and legal consultancy firm does not have revenues recorded in VAT, while the average number of employees registered with GOSI is (19) employees.

**How are sales and ZB calculated based on the estimated calculation?**

**First** Sales are estimated based on the number of employees registered with GOSI.

**Second** Estimated Sales Based on Average Number of Employees

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

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

**Third** Calculation of ZB Based on Estimated Calculation.



$$\text{First } \frac{\text{Sales}}{8} + \text{Sales} \times 15\%$$



$$\text{Second } \frac{114,000}{8} + 114,000 \times 15\%$$
$$14,250 + 17,000$$



$$\text{ZB} = 31,350$$



$$\text{Due Zakat} = 784$$

**Example 18:** An engineering consultancy office that does not have revenues recorded in the VAT records, and based on the data of Etimad Platform, it was found that there was a contract amounting to SAR 360,000 to supervise the implementation of a project with a government agency, while the average number of employees registered with GOSI reached 65 employees.

**How are sales and ZB calculated based on the estimated calculation?**

**First** Sales are estimated based on Etimad Platform data, or employees' data; whichever is greater.

**Second** Estimated Sales Based on Etimad Platform Data  
Sales = SAR 360,000

**Third** Estimated Sales Based on Average Number of Employees  
Sales = 65 x 6000  
Sales = SAR 390,000



**Fourth** It turns out that the sales in (Third) estimated based on the employees data are the greater and accordingly zakat is calculated based thereon.  
Sales = SAR 390,000

**Fifth** Calculation of ZB Based on Estimated Calculation

$$\text{First} \quad \frac{\text{Sales}}{8} \quad + \quad \text{Sales} \times 15\%$$



$$\begin{array}{rcl} \text{Second} & \frac{390,000}{8} & + \quad 390,000 \times 15\% \\ & 48,750 & + \quad 58,500 \end{array}$$



$$\text{ZB} = \quad \quad \quad \mathbf{107,250}$$



$$\text{Due Zakat} = \quad \quad \quad \mathbf{2,681}$$

**Example 19:** A taxpayer that does not have revenues recorded in the VAT records, and based on the data of Etimad Platform, it was found that there was a contract amounting to SAR 160,000 to supervise the implementation of a project with a government agency, while the sales through POS amounted to SAR 205,000.

**How are sales and ZB calculated based on the estimated calculation?**

**First** Sales are estimated based on Etimad Platform data, or employees' data; whichever is greater.



**Second** Sales based on Etimad platform = SAR 160,000.  
 Sales through POS = SAR 205,000  
 Total = SAR 365,000

**Third** Calculation of ZB Based on Estimated Calculation

**Example 20:** A taxpayer whose total purchases based on the VAT declaration amounted to SAR 250,000, while s/he has no sales registered in the VAT declaration.

**How are sales and ZB calculated based on the estimated calculation?**

**First** Sales are estimated based on the purchases disclosed in the VAT declaration.

**Second** Estimated Sales Based on Purchases Data  
 Sales = 250,000 x 115 %  
 Sales = SAR 287,500

**Third** Calculation of ZB Based on Estimated Calculation

**First**

Sales	+	Sales X 15%
—————		
8		



**Second**

287,500	+	287,500 X 15%
—————		
8		
35,938	+	43,125



**ZB= 79,063**



**Due Zakat= 1,977**





**Example 21:** A taxpayer who has a commercial registry did not engage in any activity during the year, and does not have any employees registered with GOSI, bearing in mind that the registered capital in the commercial registry is SAR 10,000.

**How are sales and ZB calculated based on the estimated calculation?**

**First** The registered capital in the records is deemed ZB.

**ZB=** SAR 10,000

**Zakat due at 2.5% of ZB =** SAR 250

**Since the value of zakat is less than SAR 500, the zakat is calculated according to the minimum zakat amount, which is SAR 500, based on the rules of the Estimated Zakat Taxpayers.**

**Example 22:** The capital of one of the taxpayers amounted to SAR 100,000, while the value of sales that was disclosed through the VAT declaration amounted to SAR 350,000.

**How is zakat calculated based on the estimated calculation?**

**First** A comparison is made between the capital registered in the records, and the estimated capital of the activity.

**Second** The ZB equation is used to identify the estimated capital for the activity.



$$\text{First} \quad \frac{\text{Sales}}{8} + \text{Sales} \times 15\%$$



$$\text{Second} \quad \frac{350,000}{8} + 350,000 \times 15\%$$
$$43,750 + 52,500$$



$$\text{ZB=} \quad 96,250$$



**Third** It turns out that the registered capital in the records is greater than ZB, and accordingly zakat is calculated based on the registered capital in the records.

$$\text{ZB=} \quad \text{SAR } 100,000$$

$$\text{Zakat due at 2.5\% of ZB = SAR } 2,500$$

**Example 23:** A taxpayer did not submit the zakat declaration from 1435 AH to 1441 AH.

**How is it accounted for based on Estimated Zakat Taxpayers?**

Since the taxpayer did not submit any zakat declaration from 1435 AH to 1441 AH, s/he must follow the Rules of Estimated Zakat Taxpayers issued based on the Resolution of His Excellency the Minister of Finance No. (852) dated 24/02/1441 AH in calculating Zakat due for all the years for which s/he did not submit the declaration.

**Example 24:** ZATCA issued the zakat assessment to one of the Estimated Zakat Taxpayers based on VAT data, and the taxpayer did not consent thereto, and submitted his/her objection, during the statutory period, to the assessment.



### Does the taxpayer have the right to inquire and obtain the mechanism for calculating ZB?

The taxpayer has the right to inquire from ZATCA and obtain a detailed statement of the calculation mechanism based on the sales that the taxpayer disclosed in his/her VAT declaration submitted thereby, which is approved by ZATCA, in support of the method of calculating ZB.

### 8.3. Comprehensive Example

**Example 25:** A sole proprietorship whose average number of employees registered with GOSI was 27 for the year ending on Dhu Al-Hijjah 29, 1441 AH, while the total imports during the same year amounted to SAR 126,913, and the total sales made through POS amounted to SAR 174,369. However, the value of purchases through the VAT declaration amounted to SAR 186,913, as the establishment does not have sales registered in VAT.

#### How is zakat calculated based on the estimated calculation?

Since the establishment does not have sales registered in VAT, sales are estimated from the data of the number of employees, or data on imports, or data on purchases through VAT Declaration, or sales made through POS; whichever is greater.

**First** Estimated Sales Based on Average Number of Employees' Data

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

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

**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 Data

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

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

**Fourth** Estimated Sales Based on POS, Etimad Platform Data, and Exports

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



It turns out that the sales in (Third) estimated based on the purchases are the greater and accordingly ZB is calculated based thereon.

<b>First</b>	$\frac{\text{Sales}}{8} + \text{Sales} \times 15\%$
	∨
<b>Second</b>	$\frac{214,950}{8} + 214,950 \times 15\%$ $26,865 + 32,243$
	∨
<b>ZB=</b>	<b>59,112</b>
	∨
<b>Zakat due at 2.5% of ZB =</b>	<b>SAR 1,478</b>

## 9. CALCULATING ZAKAT AND ISSUING ASSESSMENT DECISION BY ZATCA

Based on the data and information available to ZATCA through VAT Declaration and other previously-mentioned sources, ZATCA shall calculate the zakat on the taxpayer and issue an assessment decision at the end of the financial year for the taxpayer that includes the calculation mechanism. Accordingly, the revenue system will directly issue an electronic invoice notification that includes the payment number and the total amount of zakat due under the assessment. When the payment process is completed, the system will issue a zakat certificate directly in the event that no amount is due to be paid to ZATCA.

## 10. Objection and Appeal Procedures

If the taxpayer does not agree to a decision issued by ZATCA, s/he has the right to formally object to its decision (within the legal period referred to in this Section). There are three ways that allow



the taxpayer to submit a request for review (i.e., objection) and resolve the dispute related to the assessment or any other decisions issued by ZATCA in relation to zakat issues, as follows:

Through the internal review by the objections section at ZATCA.

Through the internal committee for disputes resolution at ZATCA.

Through the grievance submitted to the external committees: the resolution committee (also called the Committee for the Resolution of Tax Violations and Disputes, and the Appeal Committee (also called the Appeal Committee for Tax Violations and Disputes).

### **10.1 Submitting an Objection**

In the event that ZATCA issues the zakat assessment, the taxpayer will be notified of his/her right to object to ZATCA's decision and can submit the objection to the competent department, through ZATCA's electronic system "ERAD".

### **10.2 Controls for Accepting Objections**

For ZATCA to accept the taxpayer's objection to any of ZATCA's decisions, it is required to comply with the following controls:

#### **1. Submitting an Objection within the Statutory Period:**

The objection shall be submitted within sixty (60) days from the date of the assessment notice as mentioned in the notice, and the assessment shall be final if the objection is not submitted within the specified time period, and the request must include at least the points of disagreement, the reasons for objecting to ZATCA's decision, in addition to the documents that support the viewpoint of the taxpayer.

#### **2. Payment of the Amounts Related to Assessment According to the Following:**

##### **A. Non-Objectionable Items:**

The taxpayer shall pay the amounts due in full on the non-objectionable items during the statutory period for the objection.



## Objection or Appeal Submission Form

البيانات الشخصية (الرجاء تعبئة الحقول)

الاعتراض على القرار | الاعتراض على غرامة

طلب الاعتراض على القرار

خطوات الاعتراض:

1. تقديم الطلب
2. تقديم المستندات
3. تقديم الأدلة
4. تقديم الطلبات
5. تقديم الطلبات
6. تقديم الطلبات

التفاصيل المتعلقة بالاعتراض (التحديد التام للمعترض عليه، إلا أنه من تعديل القرار بالاعتراض على زر القرار النهائي)

رقم الترخيص الإداري	مئة الربح	القرار من	القرار إلى	نوع الشكوى	المدة	جهة الربح (المصلحة (البلدية)	السلطة التي سبقت عليه من العقد	السلطة المعترض عليه	تكميل القرار

زر: [إضافة مستند جديد](#)

زر: [إزالة المستند القديم](#)

زر: [إزالة جميع المستندات القديمة](#)



(185)

In the Name of Allah the Most Merciful and the Most Compassionate



الأمانة العامة للزكاة والضريبة  
General Authority of Zakat & Tax



No.:  
Date:  
Annexes:  
Subject:

### Notice of Receipt of Objection

#### Jeddah Branch

Date: 18/03/1442 AH

Unique No.: 3008883835

Objection Case No.: 035010065680

Honorable: Nora Saada

P. O.: KSA - Hail - Al-Makhdah 65614

Further:

We inform you that Your Objection No.: 035010065680 of 18/03/1442 AH

is well-received, and ZATCA shall consider study the objection. Please keep the Reference Number of the application for any future inquiries.

Declaration Reference No.	Assessment Year	Period from	Period to	Objected Amount
023001849575	1439	21/09/2017 AD	10/09/2018 AD	36375

Kindly Accept Our Finest Regards!

For more information, please call 19993.

This is a computer-generated document. No signature is required.



## **B. Objectionable Items:**

The taxpayer shall pay part of the amounts owed on the objectionable items during the statutory objection period, not exceeding twenty-five percent (25%) of the amounts owed on the objectionable items.

### **3. Internal Audit**

ZATCA shall begin the internal audit process after receiving the objection. The Review and Objections Department shall conduct the internal review of the assessment objected to by the taxpayer, and shall respond to the objection within 90 days. The review process can result in one of the following:

- 1. Fully Accept the Objection:** ZATCA shall then issue a new assessment in place of the first objectionable assessment, and notify the taxpayer of the same.
- 2. Partially Accept the Objection:** ZATCA shall then issue a new assessment in place of the first assessment, and notify the taxpayer of the same.
- 3. Fully Reject the Objection:** ZATCA shall notify the taxpayer of the rejection of his/her objection to the previous assessment.

In the event of partial rejection or acceptance, ZATCA or the taxpayer may propose to involve the Internal Settlement Committee to resolve the dispute (see Clause 7.4). In the meantime, the taxpayer shall submit a grievance request to the Secretariat-General of Tax Committees within 30 days from the date of the issuance of the decision of the Review and Objections Department at ZATCA addressed to the taxpayer, or if 90 days elapse from the date of submitting the objection without ZATCA having decided thereon, in order to preserve the right to complete the formal grievance before the Settlement Committee against ZATCA (see Clause 7.3).

## **10.3 Grievance Before the Relevant Committees**

The Executive Regulations for Levying Zakat stipulated the application of the operation rules of the committees for settlement and appeal in tax violations and disputes contained in Royal Decree No. M/113 of 1438 AH to taxpayers. Accordingly, the competent judicial authority before which the taxpayer may appeal against the decisions of ZATCA is the Committee for the Resolution of Violations and Tax Disputes and the Appeal Committee for Tax Violations and





Disputes, which are two separate committees at ZATCA.

The taxpayer who wishes to object to the final decisions issued by ZATCA shall submit the objection directly to the settlement committee within a period of 30 days from the date of issuing the notice of reassessment or rejection of the objection, or if 90 days have elapsed from the date of submitting the objection without ZATCA's decision thereon. ZATCA's decision shall be final if no objection is received within the specified period, and in the event the taxpayer or ZATCA objects to the decisions of the settlement committee, the dispute shall be referred to the Appeal Committee whose decisions shall be final and binding and may not be appealed.

#### **10.4. Dispute Settlement**

ZATCA formed a committee to settle zakat disputes that arise from the taxpayer's objection to ZATCA's assessments, which is an internal committee to facilitate the resolution of zakat and tax disputes.

The Settlement Committee shall be responsible for resolving the dispute between ZATCA and the taxpayer. The Committee shall submit a solution to the disputes as an alternative to submitting a formal grievance before the Adjudication Committee and the Appeal Committee, which are two judicial bodies competent to consider zakat disputes. The taxpayer may submit a request to the Committee to review the decision issued by ZATCA's Audit Department. ZATCA itself may also submit a request for review to the Committee in the event the taxpayer submits a grievance to the Adjudication Committee.

Whenever the taxpayer submits a request to issue a settlement decision to the Settlement Committee, the request must include at least the points of dispute and the reasons for objecting to the Committee's decision, in addition to the supporting documents that support his/her point of view.

In the meantime, the formal grievance procedures before the Adjudication Committee or the Appeal Committee shall be suspended as a result of a request to go to the Dispute Resolution Committee, until the settlement request is rejected, or the Committee has refused to consider it. The Settlement Committee shall notify the taxpayer if the request to resolve the dispute through the Settlement Committee is accepted or rejected within 30 days from the date of submitting the request.



## Cases of Rejection of Settlement

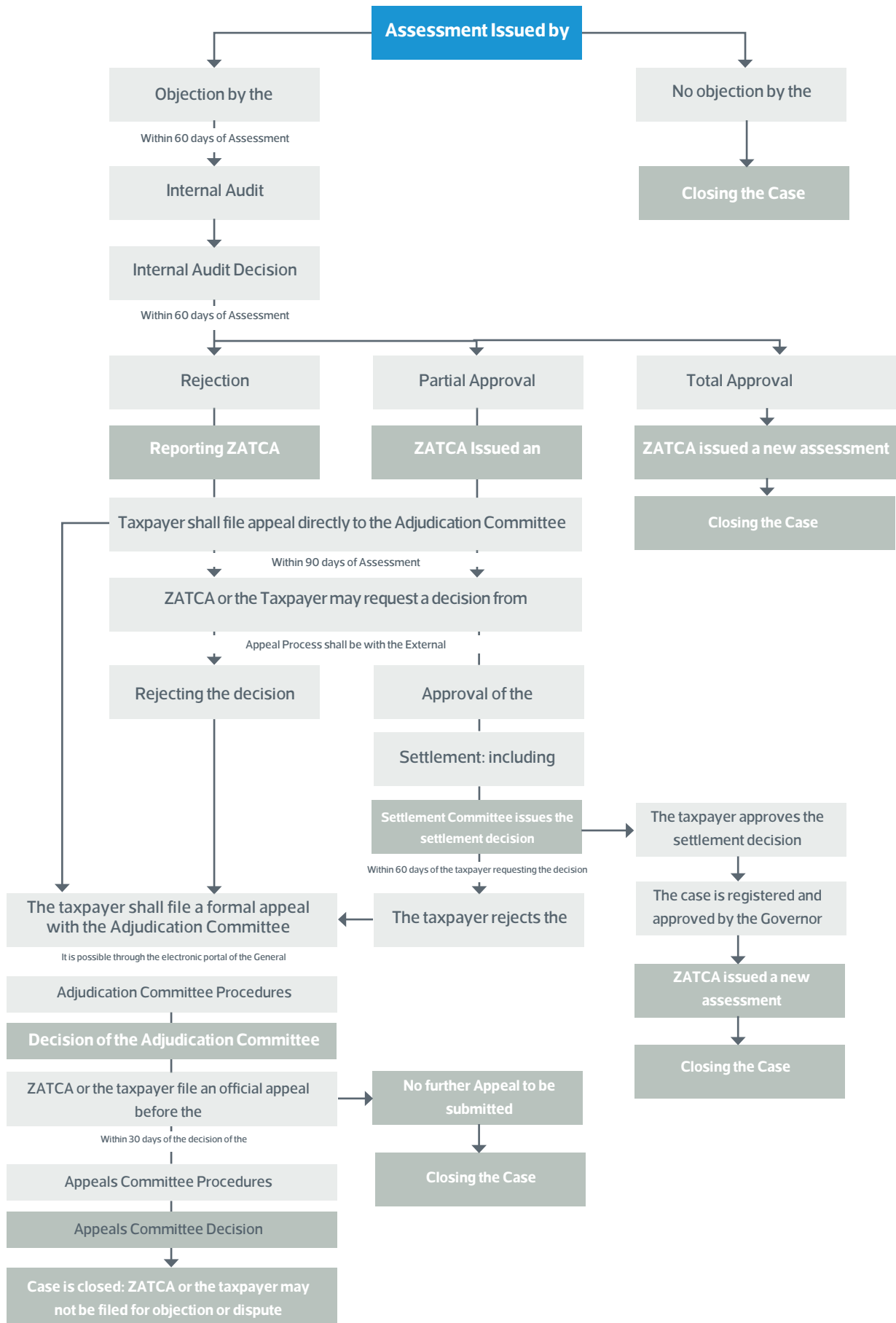
Settlement shall be refused if any of the following cases occur:

- When ZATCA is not satisfied with the reasons for the objection of the taxpayer, it shall notify the taxpayer of the rejection of his/her request to issue a settlement decision.
- If the taxpayer does not obtain the settlement decision within sixty days from the date of submitting the application (unless notified of an extension of the period for an additional 60 days), the application shall be deemed rejected in this case.
- When the taxpayer rejects the settlement decision, or does not notify ZATCA in writing of approval of the settlement decision.

Refusal of the settlement decision entails the completion of the formal grievance, whereby the objection procedures are completed before the Adjudication Committee and the Appeal Committee, and shall be temporarily suspended during the procedures of the Settlement Committee.



## Objection and Grievance Scheme





## 11. CONNECT US

For more information regarding any transaction subject to zakat, please visit the website: [zatca.gov.sa](http://zatca.gov.sa) or contact us at the following number 19993.

### Annex: FAQs

#### 1) What is the minimum amount of zakat in the event of no activity?

The minimum is SAR 500.

#### 2) Does ZATCA have the right to calculate zakat based on the financial statements obtained from sources other than those mentioned in the Manual in case they differ from the data or information that ZATCA has?

ZATCA shall have the right to calculate zakat based on any information that may be available thereto through its sources or any other source that can be relied-upon for data and information.

#### 3) Shall the individual establishments that have a commercial register and commercial books submit the declaration based on the commercial books or according to the rules of Estimated Zakat Taxpayers calculation?

Establishments that have commercial books are obligated to submit the zakat declaration based on the financial statements and commercial books.

#### 4) What are the establishments subject to the Estimated Zakat Taxpayers?

Any entity that does not have commercial books that reflect the reality of its activity and is not obligated to issue financial statements.

#### 5) Why was the equation for calculating ZB for the different activities of the zakat taxpayer unified?

It has been standardized so that it is easy for taxpayers to apply, understand, and work with.

#### 6) Is the taxpayer required to submit a zakat declaration?

ZATCA, based on the data and information available thereto, issues the zakat declaration immediately after the end of the fiscal year without the need to submit a zakat declaration by the taxpayer.

#### 7) Does the taxpayer have the right to object to the ZATCA's assessment?

The taxpayer has the right to object to ZATCA's assessment within 60 days from the end of the fiscal year.



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version and all published documents  
Or visit the website [zatca.gov.sa](http://zatca.gov.sa)