



Application of Transfer Pricing Regulation to Zakat Companies

We would like inform you that based on the decision of the Board of Directors of the Zakat, Tax and Customs Authority (ZATCA) No. 8-2-23 dated 8/28/1444 AH corresponding to 3/20/2023, amendments have been made to the transfer Pricing regulations so that Transfer Pricing Regulations will apply to zakat payers subject to zakat collection for fiscal years beginning on or after 1 January 2024, noting that the aforementioned regulations require the following from zakat payers:

1. The zakat payer must submit to the Authority, along with the zakat declaration, a form disclosing the transactions with the related parties within 120 days from the end of the fiscal year, along with a certificate from a licensed certified public accountant.
2. The zakat payer must maintain a master file that includes information on the global business and pricing policy of the multinational group to which the zakat payers belong to. The file should include the organizational structure of the group and a description of the multinational group's business. The Authority must be provided with the file or part of it upon its request, within the period specified by the authority which should not be less than thirty days from the date of the request.
3. The zakat payer must at all times maintain a local file that includes detailed information on all transactions with related parties and provide the Authority with the file or part thereof upon its request within 30 days from the date of the request. For more details, please refer to Article Seventeen of the transfer Pricing regulations.
4. Notifying that the decision of the Authority's Board of Directors mentioned above granted an exception to zakat. payers who meet the conditions for submitting the master and local file mentioned in 2 and 3 above as follows:

The first phase:

includes all zakat payers subject to zakat collection, with the exception of financing funds, as follows:

- ▶ Submitting the local and master file becomes mandatory if transactions with related parties' amount to 100 million Saudi Riyals or more.
- ▶ Submitting the local and master file is optional if transactions with related parties are more than 48 million.
- ▶ The aforementioned files are not required to be submitted if transactions with related parties are less than 48 million.





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The second phase:

(three years after the implementation of the first phase) includes financing funds.

- ▶ Submitting the local and master file is mandatory if the transactions with related parties exceed 48 million.
- ▶ Submitting the two mentioned files is not required if the amounts of transactions with related parties are 48 million or less.

We would like to inform you that we are pleased to assist the company in fulfilling the above requirements as follows:

- ▶ Preparing the disclosure form along with certificate stating compliance with the applicable policy for pricing regulations.
- ▶ Preparing the local file (in case the local file only applies to the company).
- ▶ Preparing the local and master file (in case the master and local file apply to the company's case).

If you have any questions concerning the alert, please contact our Tax Service Departments:

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