
The key amendments are:

Persons subject to taxation (Article 2)
Persons subject to taxation also include a resident capital company with respect to shares owned directly or indirectly by persons operating in oil and hydrocarbon production.

Tax base (Article 6)
The Tax base of a capital company is determined independently from its shareholders, partners or its subsidiaries, irrespective of whether the accounts of the capital company are consolidated or not.

Tax rates (Article 7)
Income tax rates for oil and hydrocarbon producing companies are as detailed below:
Global Tax Alert

Total capital investment of the company | Rate of income tax
--- | ---
More than SAR375b (US$100b) | 50% of the net profit
SAR301b to SAR375b (US$80b to US$100b) | 65% of the net profit
SAR226b to SAR300b (US$60b to US$80b) | 75% of the net profit
Not more than SAR225b (US$60b) | 85% of the net profit

Explanatory Note: “Total capital investment” comprises the aggregate accumulated value of fixed assets from property, plant and equipment, other equipment and intangible assets including prospecting and exploration costs of oil and hydrocarbons and their development and, before deducting depreciation and amortization.

Gains or losses resulting from disposal of assets (Article 9)

No gain or loss is computed on the transfer of assets between companies if:

- The companies are wholly owned directly or indirectly, within the same group; and
- The asset is owned within the group for at least two years before transfer, if any, to parties outside the group.

The “cost base” is determined as follows:

- For the assets transferred: The net book value of the asset, provided it does not exceed the market value at the date of transfer.
- For the shares issued against the transfer of assets: The net book value of the asset transferred.

Assets include cash, shares, financial securities and others including tangible and intangible assets.

Tax-exempt income (Article 10)

Tax-exempt income includes:

- Capital gains realized from the disposal of securities traded on the stock markets outside Saudi Arabia, if such securities are also traded on the Saudi Arabia stock market. This is regardless of whether the disposal was executed through a stock market inside or outside Saudi Arabia or through any other means; subject to the conditions to be set out in the bylaws.
- Cash or in-kind dividend due on investments made by a Saudi Arabia resident capital company in a Saudi Arabia resident company or a nonresident company, provided that:
  - The ownership in the investee company is 10% or more.
  - The period of ownership is one year or more.

Depreciation (Article 17)

The cost base of the asset transferred or distributed between companies within the same group should be computed in accordance with the amendments mentioned in Article 9 and Article 10 above.

Contributions to authorized retirement funds (Article 20)

A capital company is now allowed to deduct its contribution to a retirement fund, a social insurance fund or any other fund established for the purpose of settling employees' end of service benefits or to meet medical expenses, provided that:

- The allowable deduction does not exceed the unfunded liabilities relating to those funds, due at the beginning of the financial year for which a deduction is being claimed.
- The funds (whether established in or outside Saudi Arabia), should have an independent legal status.

A capital company should provide the General Authority of Zakat and Tax (GAZT) with the information relating to those funds, to be set out in the bylaws to the ITL.

General provisions – loss carryforward (Article 43)

Capital companies are now allowed to carry forward their losses regardless of the change in the ownership or control provided they continue to undertake the same activity.

The Authority's right to information (Article 61)

GAZT's right to receive information now extends to the provisions of international agreements. The bylaws will provide penalties for non-compliance with this.

Effective date

Amendments to Articles 2, 7 and 20 are applicable from 1 January 2017. All other amendments are effective from the commencement of the financial year immediately after the issuance of the said Royal Decree.

The bylaws to the ITL, providing further clarity, are expected to be issued shortly.
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