KSA Tax & Transfer Pricing – Penalties for Non-Compliance

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Article 67 of the updated Income Tax Law (Ministerial Resolution No. 1535) aligns with **Article 76 of the Income Tax Law (RD M/1, 2004, as amended)** for filing non-compliance. Further, **Article 77(b)** applies in cases of misrepresentation (25% of tax difference), while **Article 77(a)** governs late payment, imposing a delay fine of **1% per 30 days**.

Filing Non-Compliance

Failure to file DFCT along with the tax return within 120 days from the FY-end results:

Higher of

1% **of total revenue (Max SAR 20,000)**

% of Unpaid Tax by Delay Period:

≤30 days	**5%**
31-90 days	**10%**
91-365 days	**20%**
>365 days	**25%**

Misrepresentation/ Submission of Incorrect Information

If ZATCA determines that the issue arises from false or misleading information, non-compliance, or concealment of records/transactions, a penalty of 25% of the tax difference may be imposed.

Delay in Tax Payment (Including TP Adjustments)

1. **Day 1-29:** No penalty applies. Pay within this window to avoid charges.
2. **Day 30:** 1% of unpaid tax charged. Also applies to TP Adjustments, WHT, and advance tax.
3. **Day 60, 90 & ongoing:** 1% per 30 months until full payment.

TP Documentation Non-Compliance

Missing/weak Master File, Local File, CbCR → **ZATCA makes TP Adjustment** → **Additional Tax Liability increases**

Key TP Risk Triggers

Non-filing/incorrect TP Disclosure Form	**Undisclosed related-party transactions**	**Non-arm's length pricing**	**Inadequate/ inconsistent TP Documentation**	**Use of false or manipulated data**