

Saudi Arabia proposes penalties for zakat non-compliance

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Executive summary

On 2 March 2020, Saudi Arabia's General Authority of Zakat & Tax (GAZT) published draft Zakat Levy Regulations for public consultation.¹ The draft regulations propose financial penalties for non-compliance with zakat obligations. The regulations are open for public consultation until 31 March 2020. The proposed regulations, if approved and published during 2020, will be effective from 1 January 2021.

Detailed discussion

The draft Zakat Levy Regulations propose the following financial penalties for non-compliance:

Failure to register with the GAZT

The fine shall be SAR10,000.

Delay in filing the annual zakat declaration or failure to pay zakat due

The fine shall be 2% of the zakat due, for each month or part of month for which zakat is not paid, subject to a maximum of 25% of total zakat due for the zakat year.

Filing of incorrect information or concealment of information for zakat evasion

The fine shall be 25% of the total zakat due for the zakat year, in addition to any other penalties under any other regulations.

If the proposed regulations are adopted through a Royal Order, new regulations are likely to be issued to replace the regulations currently in force under Ministerial Resolutions 2082 and 2216.² Any new bylaws to the proposed regulations are likely to specify controls and procedures for imposing the stated penalties on zakat payers but would not be expected to change the current rules for calculating zakat.

Implications

The draft regulations aim to encourage zakat payers to comply with their annual zakat return filing and payment of zakat due in a timely fashion. If the proposed rules are adopted, businesses will need to ensure timely compliance with the zakat regulations to avoid financial penalties.

Future Alerts will report on any additional information or clarifications from the GAZT.

Endnotes

1. Refer to the [draft Zakat Levy Regulations](#) in Arabic on the GAZT's website.
2. Refer to EY Communication: [Saudi Arabia issues new Zakat Regulations](#) on 17 March 2019.

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