

## Saudi Arabian Tax Authority clarifies rules on capital gains

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Saudi Arabia's General Authority of Zakat and Tax (GAZT) published, on 15 June 2020, Circular No. 2005003, dated 31 May 2020, on capital gains tax (CGT) matters related to corporate reorganization or restructuring events.

As background, there are certain provisions in the Income Tax Law (ITL) and the Bylaws to the Income Tax Law (BITL) that govern CGT implications on the sale, transfer and/or disposal of shares and assets. The GAZT has provided its commentary on the practical application of these provisions to corporate reorganization and restructuring arrangements, including internal group restructuring and indirect disposal of shares. The commentary also discusses the CGT implications of related aspects that are not specifically addressed in the ITL and the BITL, such as:

- ▶ Sale or disposal of founders' shares, bonus shares (stock dividends), and sale through a private deal in listed entities
- ▶ Share splits
- ▶ Merger transactions

The Circular is intended to serve as supplementary guidance on the provisions of the ITL and BITL relating to CGT matters.

The Circular provides the GAZT's nonbinding commentary on the provisions of the ITL and the BITL relating to capital gains. Businesses should review the GAZT commentary outlined in the circular to determine if it affects the tax treatment of their transactions.

Click to read the GAZT Circular in [Arabic](#) and [English](#).

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