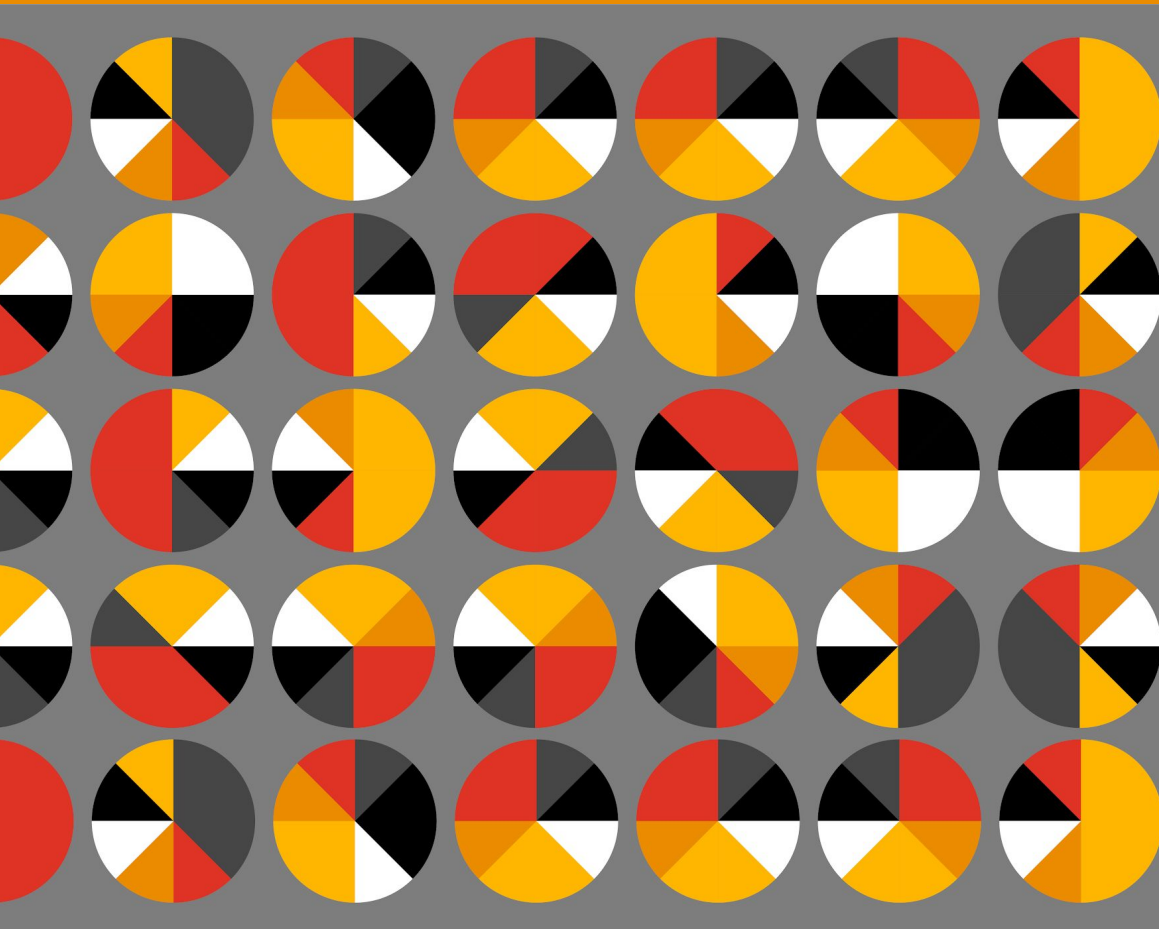


# KSA: Operating rules of the Appeal Committees

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## In brief

In line with Saudi 2030 vision and continuous development and transparency in the Zakat, direct and indirect taxes environment in KSA, his majesty King Salman Bin Abdulaziz has issued a Royal Order "RO" to approve the operating rules of the Tax Violations and Disputes Resolution Committees "TVDR" and the Appellate Committee of Tax Violations and Dispute Resolution "ACTVDR" (Collectively "Appeal Committees") populated as per the memo issued by his excellency Saudi's Minister of Finance dated 24/4/1441 AH corresponding to December 21, 2019.

## In detail

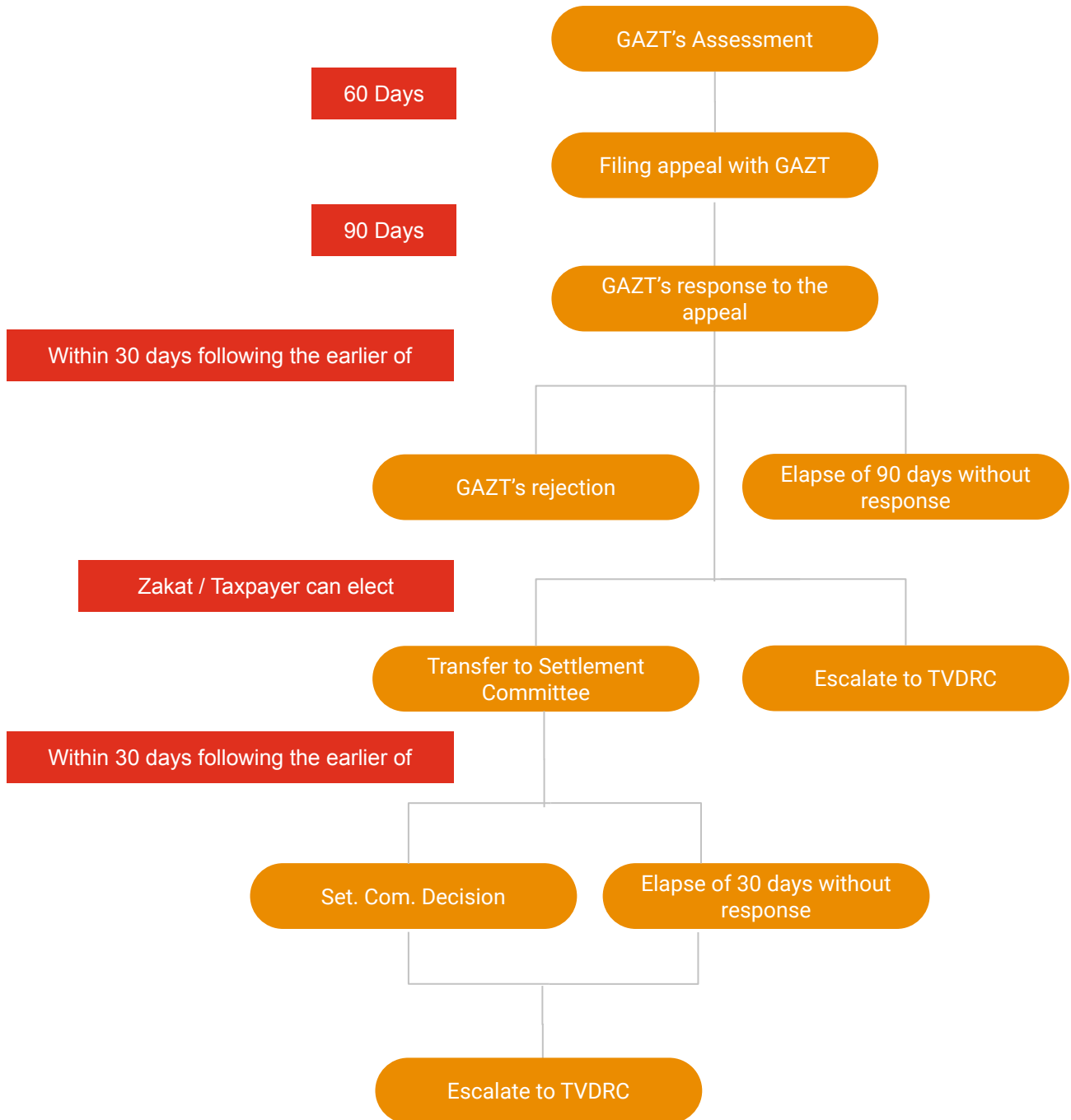
### RO 26040: Approving the operating rules of the TVDR

- The RO provides the approval on the Operating Rules of the Appeal Committees.
- The mentioned Operating Rules are applicable to the ongoing taxpayers' appeals for which no final settlement with the General Authority of Zakat & Tax "GAZT" has been achieved before the date on which these rules enter into force.
- The Board of Grievances' "BoG" courts should continue reviewing the disputes escalated to them before issuing these rules against the rulings issued by the old Appellate committees with respect to the tax and Zakat assessments.
- For the rulings issued by the BoG following the RD M/113 dated 2/11/1438 AH corresponding to July 25, 2017 of non-relevance (i.e., out of BoG's scope), the concerned party may submit an appellate to the ACTVDR within 60 days following the later of the effective date of these rules or the date of final BoG's ruling of non-relevance.
- The Appeal Committees are responsible for the resolution of the appeals raised by the concerned parties against GAZT's Tax, Zakat and VAT assessments.
- The rulings of the Appeal Committees are final and non-appealable in front of any other Judicial Body.

### Operating Rules of the Appeal Committees

- The mentioned rules state the statutory period of each phase of the Tax, Zakat and VAT litigation process starting from the assessment issued by the General Authority of Zakat & Tax "GAZT" till the resolution of the dispute.
- GAZT's assessment becomes final and unappealable if the Tax, Zakat and VAT payer didn't appeal against it within 60 days following the notification date.
- Following 60 days of GAZT's ruling against the appeal, the ruling becomes final and unappealable if the Tax, Zakat and VAT payer didn't request to transfer the dispute to the internal settlement committee or the TVDR within 30 days following the earlier of the following:
  - Being notified of GAZT's ruling against the appeal
  - Elapse of 90 days following the appeal without response from GAZT
  - Notification of the settlement committee ruling
- All undisputed dues should be paid.

- The following chart summarizes the Tax, Zakat and VAT litigation process and the respective statutory period of each phase:



- The parties of the dispute should be represented according to the provisions of the Bar Act and its Bylaw.
- In all cases, the summons – fulfilling all the requirements – is considered registered from the date of submitting the summon’s journal.
- In case the summon’s requirements are not complete, the presenter should provide the missing requirements within 15 days following the notification of the missing requirements, if the missing requirements have not been completed within the prescribed period, the summon is considered as was not exist.
- The summon could be escalated and the memos could be submitted to the Appeal Committees through the available electronic means by the General Secretariat of the Tax Committees “GSTC”.
- In case the defendant is not reachable, and all the stated notification means as per the Operating Rules have been utilized to reach him without success, the ruling is being issued in absentia. In this case the ruling should be published in the official gazette or any local gazette and the party against which the ruling has been issued, has the right to object against the ruling in front of the ruling committee within 30 days following the publishing date.
- GSTC notifies the defendant with the escalation requirements and he should respond within 30 days which could be extended to additional 30 days based on justifying request subject to the committee’s approval, in case of no response, GSTC reviews the case and escalates it as is.
- Hearing sessions could be conducted using the technological means made available by GSTC.
- The committee should issue a verdict within 60 days from the date of the first hearing session, except for the cases which requires more time as per the committee’s assessment.
- Hearing session is public, unless the committee decides to make it private.
- The committee can assign subject matter expert which should not be contacted but neither disputed parties unless through GSTC.
- In case the committee during the procedures concluded that it is necessary to conduct an observation or supplementary investigation, it may conduct this itself or assign other party to conduct it, also it has the right to assign who it is selecting to hear the witness of who is deemed necessary to provide his witness.
- Arabic language is the official language for the dispute, any non-Arabic documents should be officially translated into Arabic, Non-Arabic speakers can attend with a translator.
- The committee should not rely on the documents of either dispute parties unless the other party checked it. Before the final decision, either dispute parties or their representatives have the right to review the dispute case file and get copies of it.
- Without breach of the provisions of the Disciplinary Procedures Act and the Legitimate Procedures Act, the plaintiff’s dispute case is deemed cancelled if he didn’t commit to perform any procedure concerning his case within the stated period by the committee or 30 days whichever is longer, also in case the committee couldn’t notify him with any substantial procedures through his specified address as per the dispute escalation journal.

- The dispute could be put on hold for a period of 180 days based on the mutual agreement of the disputing parties and following the committee's confirmation of such mutual agreement. Following the completion of this 180 days, if the parties didn't resume the process of the dispute within 10 days, the plaintiff's dispute case is deemed cancelled.
- The Internal Committee (i.e., settlement committee) may negotiate with the Tax, Zakat and VAT payer for concluding or settling his appeal against GAZT's ruling at any stage of the summon's review, therefore, starting the negotiations results in holding the summon's progress.
- The committee may include in its ruling an expedited execution with or without bail as it deems necessary in certain circumstances.
- Following the TVDRC's ruling, either party may appeal this ruling within 30 days to be reviewed by the ACTVDR.
- The TVDRC's ruling is considered final in any of the following cases:
  - For the summons in which the disputed amount doesn't exceed SAR 50,000
  - Passing the appellate statutory period without appealation
  - The mutual resolution agreement between the summons' parties in front of the TVDRC
- Following ACTVDR's ruling, either parties may request reconsideration of the ruling within 30 days following the original ruling.
- The ruling is being issued based on voting according to the votes of the majority, in case of equal votes, the ruling of the voters with which the committee chief has voted considered as final.
- The party against which an appellate has been submitted has the right – before closing the procedures phase – to present sub-appellate following the original appellate following the regular procedures or with a memo including the reasons of his sub-appellate.
- The rulings of the ACTVDR are final and unappealable in front of any other Judicial Body.
- In case the last day of any statutory period is a public holiday, the period is being automatically extended till the first working day following this public holiday.

## The takeaway

A comprehensive assessment of the status of the existing disputes should be conducted, and quick actions should be taken accordingly to maintain the Tax, Zakat and VAT payers right to dispute the unfavorable assessments.

In addition, Tax, Zakat and VAT payers should establish a clear internal process for tax dispute and align this process with the new requirements to be able to manage upcoming disputes in an efficient and swift manner.

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## Let's talk

For a deeper discussion of how this issue might affect your business, please contact one of the KSA partners below:

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