

ZATCA Extends Financial Penalty Relief

A six-month window to rectify your establishment's tax status — and walk away from late registration, late filing, late payment and VAT correction penalties.



THE INITIATIVE AT A GLANCE

One resolution. One principle: rectify your status, and the fines fall away.

H.E. the Minister of Finance has resolved to extend the Cancellation of Fines and Exemption of Financial Penalties Initiative — part of ZATCA's incentive package to mitigate the financial implications of COVID-19 on establishments.



THE CORE MESSAGE

Rectifying the status of your establishment *exempts you from fines.*

THE WINDOW — SIX MONTHS, FIXED



July 1, 2026

Extension takes effect



December 31, 2026

Deadline to file, pay or secure an installment plan

Four pillars of the Resolution

Pillar 1

Exemption from unpaid financial fines

- **Late registration** fines — across all tax laws & regulations
- **Delayed payment** fines & **overdue tax return submission fines** — across all tax laws & regulations
- **VAT return correction** penalty

Pillar 2

Subject to specific conditions (incl. but not limited to)

- **Tax registration** for non-registrants required to register under the tax system with ZATCA
- **Submit all unfiled tax returns** / correctly declare all undeclared taxes, and **pay the full tax debt principal** — or apply for installment and follow the approved plan — until the initiative ends on **December 31, 2026**

Pillar 3

Installment plans stay protected

Exemption from late payment fines under a ZATCA-approved installment plan — on dues falling due **after** the end of the initiative period.

Pillar 4

Effective for (6) months

The Resolution remains in force for six months from **July 1, 2026**.

SCOPE

Types of taxes included in the Initiative

The exemption reaches across ZATCA's five core tax systems.



Fines under all tax laws and regulations are in scope for the covered exemption categories — late registration, late filing, late payment, and VAT return correction.

EXCLUSIONS

What the Initiative does not forgive



Fines stipulated in Article (45) of the VAT Law



Fines already paid before the Initiative's effective date

No refunds — settled penalties stay settled.



Fines on returns due to ZATCA after June 30, 2026

Only pre-existing obligations qualify — new periods must be filed on time.



Tax evasion fines — in full

a Late payment & tax return submission

b Late registration

c Tax return amendment



FORWARD NOTE

If the Initiative is extended beyond December 31, 2026, any future extension will still exclude penalties for returns due to ZATCA after June 30, 2026.

Late registration & late filing fines

Each exemption category carries its own checklist. Miss a step, and the fine survives.

A.

Exemption from late registration fines — all tax systems

- 1 Register with ZATCA.
- 2 Submit all tax returns that must be submitted.
- 3 Pay the total tax debt principal from the submitted returns — or apply for installment and follow the approved plan — until the Initiative ends on **December 31, 2026**.

B.

Exemption from late filing fines — all tax systems

Applies to tax returns that had to be filed to ZATCA before the extension's effective date of July 1, 2026, provided:

- 1 Submit all outstanding tax returns that need to be submitted.
- 2 Pay the total tax debt principal — or apply for installment and follow the approved plan — until the Initiative ends on **December 31, 2026**.

Late payment & VAT correction fines

Both apply to obligations tied to returns due to ZATCA before July 1, 2026 — and both forgive the fine whether you disclosed the amount or ZATCA found it.

C.

Exemption from late payment fines — all tax laws

Whether the unpaid amount resulted from **disclosure by the taxpayer or reassessment by ZATCA** — provided:

- 1 Pay the total tax debt principal resulting from the late payment — or apply for installment and follow the approved plan — until the Initiative ends on **December 31, 2026**.

D.

Exemption from the VAT return correction fine

Whether the correction was made **by the taxpayer through disclosure** or resulted from an **amendment by ZATCA** — for returns due before July 1, 2026 — provided:

- 1 Pay the total tax debt principal resulting from the corrected return — or apply for installment and follow the approved plan — until the Initiative ends on **December 31, 2026**.

Can't pay in full? Installments keep the exemption alive — conditionally



Request before the deadline

The installment request can be submitted **any time before the Initiative's end date** — while adhering to the approved installment plan, without it being cancelled as a result of non-commitment to pay installments on time.



Protection continues after Dec 31, 2026

All dues payable **after the Initiative ends**, under the plan approved by ZATCA, remain **exempt from late payment fines** — provided the plan is adhered to and not cancelled by ZATCA for non-compliance with installment payments.



The clawback

If the approved plan is cancelled — during or after the Initiative period — every exempted fine tied to the unpaid tax principal is re-imposed in full.

Miss the plan → lose the exemption

Fines recalculated from the original due date

Tax due installment — how it works

01

Submit the request

The taxpayer submits a tax due installment request to ZATCA — **during the Initiative period.**

02

ZATCA review & approval

The competent team at ZATCA reviews and approves the request, ensuring the taxpayer **qualifies** for the installment plan.

03

Payments are scheduled

Payments are scheduled under specific periods, per the **procedures and conditions** of the tax due installment.

04

Stay compliant — or fines return

If ZATCA cancels the plan due to taxpayer non-compliance, ZATCA calculates **all fines due on the unpaid amounts as of the original payment due date.**



NOTE: all payable dues after the end of this Initiative under the ZATCA-approved plan are exempted from late payment fines — provided the plan is adhered to and not cancelled for non-compliance with payments.

The Initiative in practice

EXAMPLE 1 Saad — fragrance retailer • VAT

Saad was late submitting the **VAT return for Q3 2021**. To benefit from the exemption, he submitted his returns to ZATCA and paid the tax dues within the specified period, which ends on **December 31, 2026**.

FINES DUE

≤ 25% Tax return delay fine — up to 25% of the tax to be declared

5%/mo Late payment fine — 5% of unpaid tax per month or part thereof, until actual payment



Fully exempted from both fines — the tax due was paid within the Initiative period.

EXAMPLE 2 Soft drink company • Excise Tax

The company delayed paying tax dues for the **Jan/Feb 2024** excise **tax period (1)**, payable by **15 March 2024**. After the extension from July 1, 2026, it pays the tax due within the window to qualify.

FINES DUE

5%/mo Late payment fine — 5% of unpaid tax per month or part thereof, until actual payment



Exempted from the late payment fine — full payment of the tax due principal within the specified period.

Audit findings & filing backlogs

EXAMPLE 3 KSA establishment • Corporate Income Tax

The establishment did not disclose its CIT obligations to ZATCA after the auditor performed the regular audit. Non-disclosure in proper time triggers a late payment fine if ZATCA detects the amount during auditing, or if the establishment amends the return of the relevant period.

FINES DUE

FINE Late payment fine imposed as per the Income Tax Law



May benefit during the Initiative period — by amending the relevant return, disclosing and paying the tax due before expiry, or submitting an installment request during the period and complying with the payment dates agreed with ZATCA.

EXAMPLE 4 Ali — supermarket owner • VAT

Ali delayed submitting a number of VAT returns through 2021. After the July 1, 2026 extension, he submits the returns and pays the due tax via an installment scheduling request — commencing after the Initiative's start date and concluding by end of December 2026.

FINES DUE

≤ 25% Late filing fine — up to 25% of the tax to be declared

5%/mo Late payment fine — 5% of unpaid tax per month or part thereof, until the actual payment date



Exempted from the calculated fines — provided all returns are submitted and the installment request reaches ZATCA before expiry, with full compliance with the plan for all scheduled dues.



SIX MONTHS. ONE WINDOW. ZERO PENALTIES — IF YOU MOVE NOW.

The exemption door closes. Our KSA tax team can assess your exposure, clear the backlog, and structure the installment request — before the deadline does the deciding for you.



FOR A WORKING SESSION
CONTACT US AT

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