

Saudi Arabia

Transfer Pricing Country Profile

June 2022

		SUMMARY	REFERENCE
The Arm's Length Principle			
1	Does your domestic legislation or regulation make reference to the Arm's Length Principle?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No A reference to the arm's length principle is provided under Article 1 (2) of the Saudi Transfer Pricing Bylaws.	Saudi Transfer Pricing Bylaws, Article 1 (2)
2	What is the role of the OECD Transfer Pricing Guidelines under your domestic legislation?	On 31/01/2019, Saudi Arabia issued Transfer Pricing Bylaws and guidelines, which follow the OECD TPG.	
3	Does your domestic legislation or regulation provide a definition of related parties? If so, please provide the definition contained under your domestic law or regulation.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No The definition of a related person is provided under Article 1 (25) of the Saudi Transfer Pricing Bylaws. Related person means two or more natural persons if they are: <ul style="list-style-type: none"> (i) relatives through marriage or are otherwise relatives to the fourth degree; or (ii) partners in a partnership. (b) a natural person is considered related to a juridical person in any of the following circumstances: <ul style="list-style-type: none"> (i) if the natural person is a partner in a partnership and he, either alone or together with a related person or persons, directly, indirectly (or both) controls fifty percent (50%) or more of the voting rights, income, or capital of the partnership. 	Saudi Transfer Pricing Bylaws, Article 1 (25) Saudi Transfer Pricing Guidelines, Chapter 3 – Subjects

		<p>(ii) if the person or a related person thereto is a shareholder in a capital company and he, either alone or together with a related person or persons, directly, indirectly (or both) controls fifty percent (50%) or more of the voting rights, income or capital of the capital company.</p> <p>(iii) as for agencies administering property held in a trust, fund or any such similar arrangement, a natural person is considered related thereto if he benefits or is capable of benefiting from them, either alone or with a related person or persons.</p> <p>(iv) if the person alone or jointly with a related person thereto directly or indirectly participates or is able to participate in the management, control or capital of a juridical person.</p> <p>(c) two or more juridical persons are considered related persons in any of the following cases:</p> <p>(i) they are persons under common control.</p> <p>(ii) when the person who controls or has the ability to control the business decisions of a juridical person has, alone or together with a related person, effective control over the other juridical person.</p> <p>(i) (iii) when the person who has effective control over a juridical person and the person who has effective control of the other juridical person are related persons.</p>	
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Transfer Pricing Methods

4	<p>Does your domestic legislation provide for transfer pricing methods to be used in respect of transactions between related parties?</p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>If affirmative, please check those provided for in your legislation:</p> <table border="1" style="width: 100%; text-align: center;"> <thead> <tr> <th>CUP</th> <th>Resale Price</th> <th>Cost Plus</th> <th>TNMM</th> <th>Profit Split</th> <th>Other (If so, please describe)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;"><input checked="" type="checkbox"/></td> <td style="text-align: center;"><input checked="" type="checkbox"/></td> <td style="text-align: center;"><input checked="" type="checkbox"/></td> <td style="text-align: center;"><input checked="" type="checkbox"/></td> <td style="text-align: center;"><input checked="" type="checkbox"/></td> <td style="text-align: center;"><input checked="" type="checkbox"/></td> </tr> </tbody> </table> <p>If the taxpayer used other method other than the approved method, he must refer to Article 9 of the Transfer Pricing Bylaws, which states “A taxable person may apply a transfer pricing method other than the approved transfer pricing methods provided. The taxable person must be able to demonstrate that under the facts and circumstances, none of the approved methods provides a reliable measure of an</p>	CUP	Resale Price	Cost Plus	TNMM	Profit Split	Other (If so, please describe)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<p>Saudi Transfer Pricing Bylaws, Article 7</p> <p>Saudi Transfer Pricing Bylaws, Article 9</p> <p>Saudi Transfer Pricing Guidelines, Section 4.2, Step 2: selection of TP method</p>
CUP	Resale Price	Cost Plus	TNMM	Profit Split	Other (If so, please describe)										
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>										

		arm's length result and that the suggested method satisfies the provisions under Article 6 of the Bylaws.”	
5	Which criterion is used in your jurisdiction for the application of transfer pricing methods?	<p>Please check all that apply:</p> <p><input type="checkbox"/> Hierarchy of methods</p> <p><input checked="" type="checkbox"/> Most appropriate method</p> <p><input type="checkbox"/> Other (<i>if so, please explain</i>)</p>	
		Saudi Arabia's Transfer Pricing Guidelines provide guidance on selecting the most appropriate method to determine the arm's length price for a related party transaction. In addition, Saudi Arabia takes guidance from the OECD Transfer Pricing Guidelines.	
6	If your domestic legislation or regulations contain specific guidance on commodity transactions, indicate which of the following approaches is followed.	<p><input checked="" type="checkbox"/> For controlled transactions involving commodities, the guidance contained in paragraphs 2.18-2.22 of the TPG is followed.</p> <p><input type="checkbox"/> Domestic legislation mandates the use of a specific method for controlled transactions involving commodities (<i>if so, please explain</i>)</p> <p><input type="checkbox"/> Other (<i>if so, please explain</i>)</p>	
		There is no specific guidance in Saudi's domestic legislation on commodity transactions.	
Comparability Analysis			
7	Does your jurisdiction follow (or largely follow) the guidance on comparability analysis outlined in Chapter III of the TPG?	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>	Saudi Transfer Pricing Guidelines, Chapter 4
		Saudi Arabia Transfer Pricing Guidelines provide guidance on comparability analysis. In addition, Saudi Arabia takes guidance from the OECD Transfer Pricing Guidelines.	
8	Is there a preference in your jurisdiction for domestic comparables over foreign comparables?	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>	Saudi Transfer Pricing Bylaws, Article 13 (c)
		The comparable transaction information under Article 13 (c) of Saudi Transfer Pricing Bylaws states that the tax authority may accept the use of foreign comparable transactions by a taxable person in the event that information on	

		domestic comparable transactions are not available or in the absence of domestic comparable transactions.	
9	Does your tax administration use secret comparables for transfer pricing assessment purposes?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
10	Does your legislation allow or require the use of an arm's length range and/or statistical measure for determining arm's length remuneration?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>The arm's length remuneration of a controlled transaction shall be determined by applying the method that, under the facts and circumstances, provides the most reliable measure of an arm's length result. Except and to the extent provided in Chapter 9 of the Bylaws, the most appropriate method shall be selected from the approved transfer pricing methods. Moreover, Saudi Arabia applies the interquartile range in the legislation in order to consider an appropriate approach to determine the arm's length range of margins.</p>	Saudi Transfer Pricing Bylaws, Chapter 9
11	Are comparability adjustments required under your domestic legislation or regulations?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>Comparability adjustment is performed to reduce the material differences (if any) between the situations being compared. In this respect, if material differences exist between the controlled and uncontrolled transactions that could materially affect the outcome of the transfer pricing analysis, it should be determined whether these comparability adjustments could be reliably performed otherwise the uncontrolled transaction cannot be used as comparable.</p> <p>Comparability adjustments to the financials of the comparable are solely allowed if they can be made with a high degree of accuracy and if the impact on the comparable is not material. Such adjustments should serve to improve the outcome of the analysis and eliminate potential smaller differences between the comparables. All comparability adjustments need to be properly substantiated by taxpayers.</p>	<p>Saudi Transfer Pricing Guidelines, Chapter 4 4.3.4. Sub step 4: Selection of comparable</p> <p>Saudi Transfer Pricing Bylaws, Article 5 - "Comparable Transactions"</p>
Intangible Property			
12	Does your domestic legislation or regulations contain guidance specific to	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Saudi Transfer Pricing Guidelines, Chapter 8 - "Specific Guidance: Intangibles"

	the pricing of controlled transactions involving intangibles?	Saudi Transfer Pricing Guidelines, Chapter 8 “Specific Guidance: Intangibles”, includes specific guidance on intangibles. It includes a specific framework on relevant aspects of analysing intangibles. In addition, Saudi Arabia takes guidance from the OECD Transfer Pricing Guidelines.	
13	Does your domestic legislation or regulation provide for transfer pricing rules or special measures regarding hard-to-value intangibles (HTVI)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
14	Are there any other rules outside transfer pricing rules that are relevant for the tax treatment of transactions involving intangibles?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Intra-Group Services			
15	Does your domestic legislation or regulations provide guidance specific to intra-group services transactions?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Saudi transfer pricing domestic legislation does not contain specific guidance on intra-group services transactions. Saudi tends to rely on the OECD TPG.	
16	Do you have any simplified approach for low value-adding intra-group services?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Saudi follows the OECD TPG including the approach on low value-adding intra-group services.	
17	Are there any other rules outside transfer pricing rules that are relevant for the tax treatment of transactions involving services?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Financial Transactions			

18	<p>[NEW] Does your domestic legislation or regulations provide guidance specific to financial transactions?</p>	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Saudi Transfer Pricing Guidelines includes specific guidance on this topic on Chapter 7 “Specific Guidance: Financial Transactions”. For financial transactions, the same initial rules apply: the conditions must be checked against the arm’s length principle. As such, it provides additional guidance on various examples of financial transactions which related persons could enter into given their more specific nature. The guidance on Chapter 7 of the Saudi Transfer Pricing Guidelines follows the OECD TPG.</p>	Saudi Transfer Pricing Guidelines, Chapter 7
19	<p>[NEW] Are there any other rules outside transfer pricing rules that are relevant for the tax treatment of financial transactions?(e.g. whether your jurisdiction has implemented the measures in BEPS Action 4 to limit interest deductions and other financial payments or any similar rules)</p>	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>The other rules applied for the financial transactions in the Saudi Income Tax Law (“Bylaws”) are related to the loan charges with referred in the following Articles:</p> <ul style="list-style-type: none"> - The loan charges rules, which mentioned on Article 5 (Source of Income). - Loan charges on Article 9 (Deductible expenses in determining the taxable income) which incurred during the tax year if related to income subject to tax, or the resultant of the following formula whichever is less: the taxpayer’s total income from loan charges, plus 50 percent of (a - b). “a” = income subject to tax other than income from loan charges. “b” = expenses allowed under the Law other than loan charge expenses. 	Saudi Income Tax Law (“Bylaws”), Articles 5 and 9
Cost Contribution Agreements			
20	<p>Does your jurisdiction have legislation or regulations on cost contribution agreements?</p>	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>Saudi Arabia does not have domestic legislation or regulation on cost contribution agreements and tend to rely on the OECD TPG.</p>	
Transfer Pricing Documentation			

21	<p>Does your legislation or regulations require the taxpayer to prepare transfer-pricing documentation?</p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p><i>If affirmative, please check all that apply:</i></p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Master file consistent with Annex I to Chapter V of the TPG <input checked="" type="checkbox"/> Local file consistent with Annex II to Chapter V of the TPG <input checked="" type="checkbox"/> Country-by-country report consistent with Annex III to Chapter V of the TPG <input type="checkbox"/> Specific transfer pricing returns (separate or annexed to the tax return) <input type="checkbox"/> Other (specify): 	<p>Saudi Transfer Pricing Bylaws, Articles 16 to 18</p> <p>Saudi Transfer Pricing Guidelines, Chapter 5 - “Transfer Pricing Documentation”</p>
22	<p>Please briefly explain the relevant requirements related to filing of transfer pricing documentation (i.e. timing for preparation or submission, languages, etc.)</p>	<p>The documentation requirements imposed by the Kingdom of Saudi Arabia (KSA) include the preparation of a Master File and a Local File for taxpayers that meet the threshold.</p> <p>The documentation relating to controlled transactions shall be provided to the tax authority upon its request within the duration specified by the tax authority in the request, provided that such duration shall be no less than 30 days after the date of such request.</p> <p>In principle, the Ultimate Parent Entity (UPE) or Surrogate Parent Entity (SPE) should submit the Country-by-Country Report (CbCR). Thus, if the taxpayer is either the UPE or SPE, that taxpayer must submit a CbC Report to the tax authority within the 12-month period immediately following the end of the reporting year of its MNE group. However, according to the Bylaws, filing a CbC Report is not required in KSA if the consolidated group revenue is less than SAR 3 200 000 000 (approx. EUR 750 million) in the reporting year immediately preceding the current reporting year.</p>	<p>Saudi Transfer Pricing Bylaws, Articles 16 to 18</p> <p>Saudi Transfer Pricing Guidelines, Chapter 5 - “Transfer Pricing Documentation”</p> <p>Saudi Transfer Pricing Guidelines, Section 5.4 – “Country-by-Country Reporting”</p>
23	<p>Does your legislation provide for specific transfer pricing penalties and/or compliance incentives regarding transfer pricing documentation?</p>	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p>	
24	<p>If your legislation provides for exemption from transfer pricing documentation obligations, please explain.</p>	<p>Exemption from transfer pricing documentation applies to natural persons and small enterprises and “a juridical person” who carries out controlled transactions, for which the total arm’s length value does not exceed SAR 6 million (approx. EUR 1.4 million) in a 12-month period.</p>	<p>Saudi Transfer Pricing Bylaws, Article 19 - “Exemptions”</p> <p>Saudi Transfer Pricing Guidelines, Section 5.3</p>

		Guidance is provided in the Saudi Transfer Pricing Bylaws and Guidelines.	
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Administrative Approaches to Avoiding and Resolving Disputes

25	Which mechanisms are available in your jurisdiction to prevent and/or resolve transfer pricing disputes?	<p>Please check those that apply:</p> <p><input checked="" type="checkbox"/> Rulings</p> <p><input type="checkbox"/> Enhanced engagement programs</p> <p><input type="checkbox"/> Advance Pricing Agreements (APA)</p> <p style="padding-left: 20px;"><input type="checkbox"/> Unilateral APAs</p> <p style="padding-left: 20px;"><input type="checkbox"/> Bilateral APAs</p> <p style="padding-left: 20px;"><input type="checkbox"/> Multilateral APAs</p> <p><input checked="" type="checkbox"/> Mutual Agreement Procedures</p> <p><input type="checkbox"/> Other (<i>please specify</i>):</p> <hr/> <p>Saudi Arabia has issued a Request for Mutual Agreement Procedure – Taxpayer Guidance and Saudi Tax Ruling Request Guideline.</p> <p>Moreover, please refer to the OECD MAP Profile for Saudi Arabia.</p>	<p>Request for Mutual Agreement Procedure Tax Ruling Request Guideline (June 2020)</p> <p>Saudi Arabia's OECD MAP Profile</p>
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Safe Harbours and Other Simplification Measures

26	Does your jurisdiction have rules on safe harbours in respect of certain industries, types of taxpayers, or types of transactions?	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p>	
27	Does your jurisdiction have any other simplification measures not listed in this questionnaire? If so, please provide a brief explanation.	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p>	

Other Legislative Aspects or Administrative Procedures

28	Does your jurisdiction allow/require taxpayers to make year-end adjustments?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<p>Saudi Transfer Pricing Guidelines, Section 4.4 (“Financial Analysis”), Section 4.4.1 (“Arm’s Length Range”)</p> <p>Saudi Transfer Pricing Guidelines, Section 6.1 (“Implementation”)</p>		
<p>Saudi Guidelines allow taxpayers to make year-end adjustments. If due to unforeseen circumstances the actual reported result falls outside the arm’s length range, taxpayers can make a so-called year-end adjustment if the annual accounts have not yet been finalised. The Saudi Guidelines also refer to the year-end adjustments that they are in principle allowed before closing the commercial accounts for the financial/accounting year.</p>		29	Does your jurisdiction make secondary adjustments?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Attribution of Profits to Permanent Establishments					
30	[NEW] Does your jurisdiction follow the Authorised OECD Approaches for the attribution of profits to PEs (AOA)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>In how many tax treaties?</i> Saudi Arabia does not follow the AOA in any of its tax treaties.			
31	[NEW] Does your jurisdiction follow also another approach?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No In most of Saudi Arabia’s tax treaties, the pre-2010 OECD MTC is followed and in around 13 treaties, the United Nations’ Force of Attraction approach is applicable.	Tax and Customs Agreements of Saudi Arabia		
Other Relevant Information					
32	Other legislative aspects or administrative procedures regarding transfer pricing	N/A			
33	Other relevant information (e.g. <i>whether your jurisdiction is preparing new transfer pricing regulations, or other relevant</i>	N/A			

	<i>aspects not addressed in this questionnaire)</i>		
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For more information, please visit: <https://oe.cd/transfer-pricing-country-profiles>