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# Tax Alert

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# ZATCA Issues Procedural Guide for Tax and Customs Operations in Special Economic Zones

## Introduction

ZATCA has issued the **first edition of its Procedural Guide for tax and customs operations in the Special Economic Zones** (August 2026), under the Special Economic Zones Regulations issued by Council of Ministers Resolution No. (468) dated 10/07/1447H. It consolidates the incentives, procedures and compliance obligations applicable to licensed entities.

For details on the SEZs and the respective incentives available, please refer to our article published in this respect.

## Key highlights

- **Scope** – The guide covers the four Special Economic Zones. ZATCA supervises tax and customs operations and verifies compliance with the Economic Substance Requirements.
- **Income tax** – 5% on qualified income for 20 years, expressly extended to entities owned by Saudi and GCC investors. Non-qualified income is taxed at 20% and computed separately; Tax losses may be carried forward indefinitely; however, the amount that can be utilized in any given tax year is limited to 25% of the taxable profit for that year.
- **Withholding tax** – Full exemption on payments to non-residents, including dividends linked to qualified activities, subject to an anti-abuse override. This lays to rest the ambiguity on whether WHT exemption applies only on profit repatriation (as was suggested earlier ECZA policy announcements).
- Licensed entities need to file an annual withholding tax statement for payments made to non-residents.
- **Transfer Pricing** TP requirements under the KSA TP Bylaws are applicable to entities operating within SEZs, and all related-party transactions should be undertaken on an arm's-length basis. SEZ entities are required to submit the TP Disclosure Form within 120 days from the end of the fiscal year. Where the applicable thresholds are met, the entity/group should also comply with the relevant Master File ("MF"), Local File ("LF") and CbCR notification requirements in accordance with the KSA TP Bylaws.

## At a glance:

Qualified income in the three geographic zones is taxed at **5% for 20 years**; income from non-qualified activities remains at 20% and must be computed separately.

A Saudi or GCC-owned company established in a zone is subject to **income tax** on its zone income, while its mainland counterpart continues under **Zakat**.

The incentives remain **subject to review on implementation of the global minimum tax (Pillar Two)** for in-scope groups.

## Key highlights (contd.)

The guide sets out the VAT and customs treatment of movements into, within, between and out of the zones. Zero-rating throughout is subject to **two cumulative conditions**: the goods must be under customs suspension, and they must relate to the licensed qualified activities.

- **VAT – into and within the zones** – Supplies within a zone, between zones and from the mainland into a zone are zero-rated where both conditions are met. Import of goods into SEZ from outside the Kingdom is treated as out of scope of VAT.

- **VAT – out of the zones** – A supply from a zone to the mainland is treated as an import by the recipient, with import VAT and duty falling due on release into free circulation and deferral available under Article 44. Importing party shall be required to file a customs declaration .

- **Status of a mainland branch of a licensed entity** –Where a licensed entity in the SEZ has a branch in the mainland, that branch is required to register with ZATCA and the said branch will be provided with an independent tax identification number. Also, this branch will not benefit from any tax incentives, notwithstanding that the parent company is established in the Special Economic Zone.

- **Customs** – Customs duty and VAT on are suspended while in the Zone, with duties and VAT becoming payable when the goods enter the mainland economy. Duty on goods entering the mainland is computed on the finished product at the tariff in force on the declaration date. A customs declaration needs to be submitted in respect of every consignment of goods entering or leaving the SEZ.

- **Inventory management system** – A ZATCA-linked electronic inventory system is mandatory, subject to a six-month transition, with monthly stock reconciliation.

- **Cloud Computing zone** – Standard rates apply, but OECD Commentary governs characterisation: software payments carrying a right to reproduce internally are business profits, not royalties, and Saudi data centres create no permanent establishment.

## Dhruva comments:

This guide provides taxpayers with one stop reference document explaining the practical aspects of operating in the SEZ regime – this should be very helpful for the taxpayers.

The inclusion of Pillar Two considerations within the incentive regime may suggest a broader alignment with international tax developments, including the possible future introduction of Pillar Two rules in the Kingdom.

The guide should be read alongside the Economic Substance Requirements Regulations published on 7 August 2026.

**Dhruva Consultants achieved ITR World Tax** Ranking 2026:

- Tier 1 – Indirect Tax
- Tier 2 – General Corporate Tax, Transfer Pricing, Transactional Tax
- Other Notable: Tax Controversy

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