



THE EVENTS MANAGEMENT INDUSTRY IN THE KINGDOM OF SAUDI ARABIA

A Comprehensive Tax and Regulatory Guide

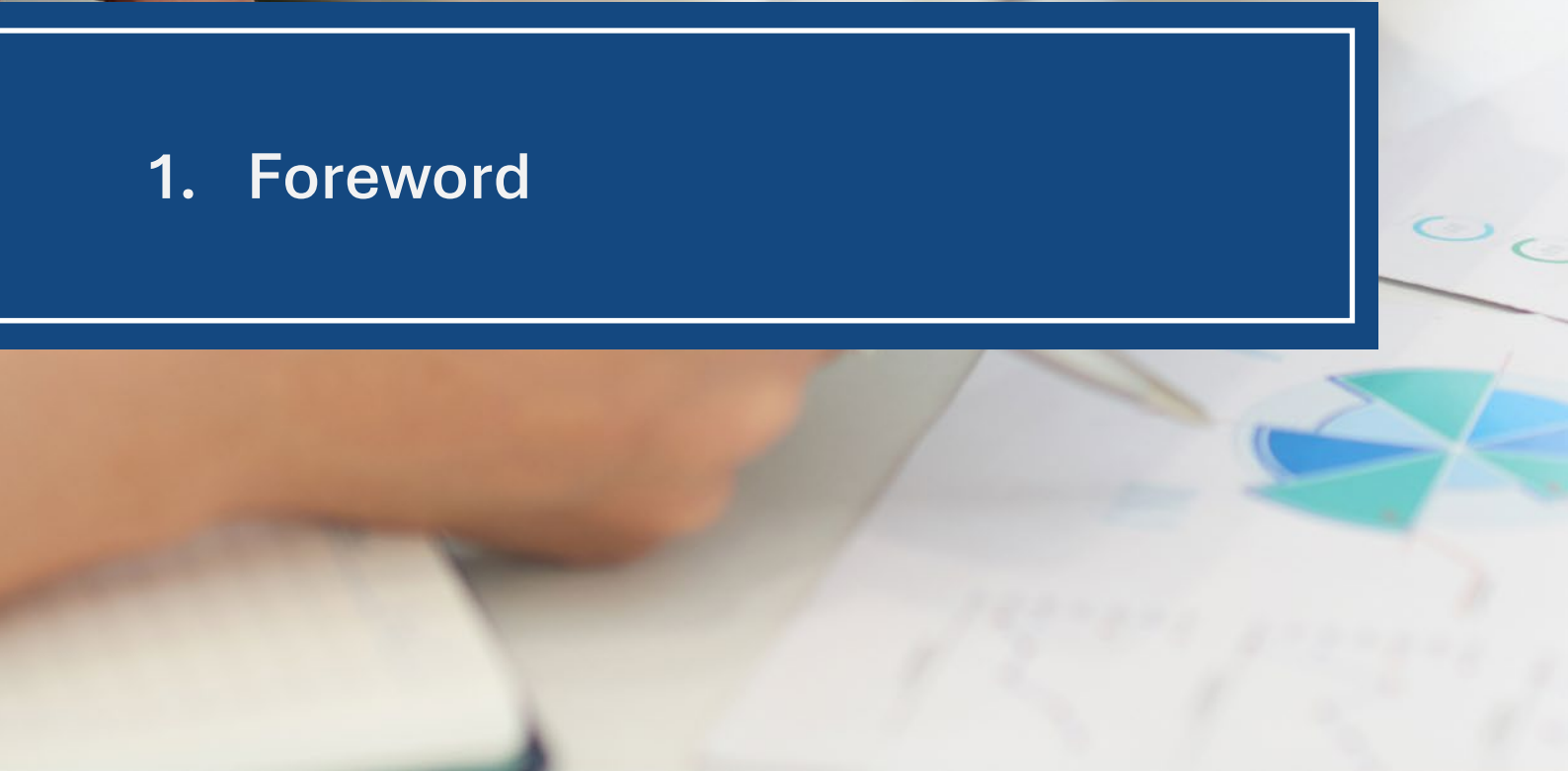
October 2026

Table of CONTENTS

1. Foreword	02
2. KSA Events Industry Strategic Context	04
3. Industry Business Models and Value Chain typically operating in the Kingdom	06
4. KSA Direct Tax considerations	09
5. Zakat - Considerations for KSA/GCC-Owned Event Businesses	13
6. Transfer Pricing	15
7. Value Added Tax	18
8. KSA Entities Doing Business in the GCC and Europe	30
9. Overseas Entities Doing Business in KSA – Key tax issues	33
10. Concluding Observations	35



1. Foreword



The Events Management industry has emerged as one of the most economically significant and operationally complex sectors in the Kingdom's Vision 2030 transformation. From large-scale sports franchises and global music tours to sovereign-backed seasonal festivals and esports tournaments, Kingdom of Saudi Arabia (KSA) has positioned itself as a primary host market in the Middle East. Many of the structures supporting these events draw together a KSA promoter, a foreign intellectual property (IP) rights holder, multiple production and talent supply chains across at least three to five jurisdictions, sovereign-backed sponsorship, and high-volume cross-border movement of goods, services and personnel. Each of these dimensions creates a distinct tax footprint.

From a tax perspective, the events industry is unusual in various aspects. Primarily it concentrates very high cross-border service flows over short windows, potentially increasing the withholding tax and permanent establishment exposure. In addition, it is heavily dependent on intangibles such as event IP, broadcast rights, image rights, format licenses that drive royalty. Moreover, at times it operates on bundled supplies (admission, hospitality, merchandise, broadcast access) that test the boundaries of Value Added Tax classification. Another key point is that it relies on barter and in-kind sponsorship at a large scale potentially attracting deemed supply rules.

We have examined various dimensions in detail. Amongst others, it addresses two principal aspects:

- a) KSA-resident entities providing event-related services in the wider Gulf Cooperation Council (GCC) countries and Europe; and
- b) Overseas entities providing event-related services in or to KSA

The guide analyses the position under KSA's Corporate Income Tax (CIT), Zakat, Transfer Pricing (TP), Value Added Tax (VAT), Withholding Tax (WHT) and sector-specific regulatory frameworks as they stand in 2026.

From the CFO's desk

Withholding tax on international suppliers remains the biggest tax challenge for the KSA events industry, as it often increases project costs and requires significant effort to manage. The cross-border nature of events also creates practical complexities around VAT and permanent establishment risks. With ZATCA increasingly relying on technology and data analytics, businesses will need stronger controls and greater visibility over their tax positions. Managing WHT exposures and responding to tax assessments are therefore becoming increasingly important areas of focus.

Mr. Shihabudheen Mangaladan - CFO, Filmmaster, Middle East



2. KSA Events Industry Strategic Context



2.1. Vision 2030 and the Entertainment Mandate

The Quality of Life Programme launched under Vision 2030 made entertainment, sport and cultural events an explicit national priority. The Government's commitments under the programme have translated into a sustained pipeline of investment through the General Entertainment Authority (GEA), the Ministry of Sport, the Saudi Tourism Authority, Saudi Entertainment Ventures (SEVEN), the Royal Commission for AlUla (RCU), the Diriyah Gate Development Authority and the Public Investment Fund's directly held entertainment assets, including SELA, MBC, Savvy Games Group, Riyadh Air, the SURJ Sports Investment platform etc. Together, these vehicles constitute the demand backbone of the industry.

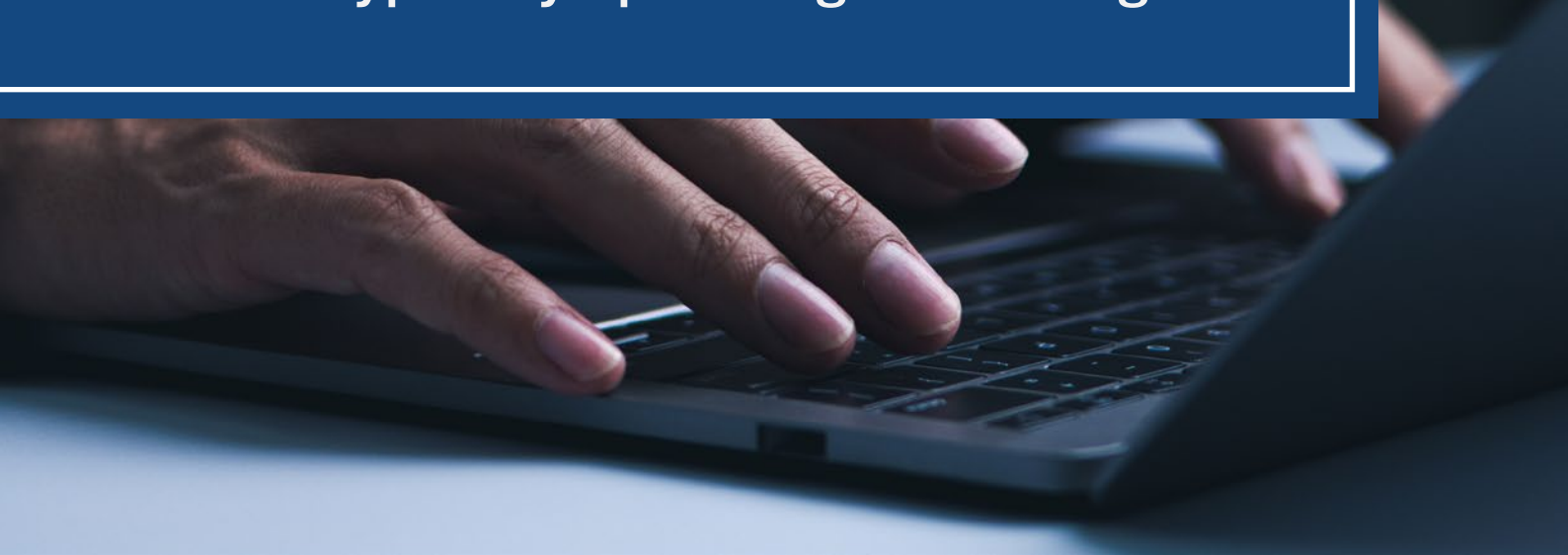
The pipeline is well-publicized: Expo 2030 in Riyadh, the FIFA World Cup 2034, Formula 1, WWE, Esports World Cup, MDLBEAST, Riyadh Season, Diriyah Season, AlUla concerts and the broader Saudi Seasons calendar. Each event in this pipeline carries its own combination of foreign IP, foreign talent, sponsorship and broadcasting flows, which is why getting the tax considerations right at the outset becomes very important.



A dark blue background featuring several white line-art icons within hexagonal frames. The icons include: three interlocking gears, a globe with three people icons connected to it, a target with an arrow, and a presentation board with a bar chart and a dollar sign. The text 'B2B' is prominently displayed in the center in a large, white, sans-serif font.

B2B

3. Industry Business Models and Value Chain typically operating in the Kingdom



A tax aware view of the events industry requires a clear understanding of where value is created across the supply chain, who contracts with whom, and which entity in which jurisdiction bears the contractual risk. The dominant models in the KSA market are described below. In practice, a single major event will combine several of these models, with intercompany flows running across at least more than one jurisdiction.

3.1. Event Organizers and Promoters

The promoters are typically the KSA-resident entities that hold the event license, contracts with the venue, with talent or rights holders, and with sponsors and ticketing platforms. The promoter's revenue is primarily the gross ticketing, hospitality, sponsorship and ancillary income. The cost base is majorly dominated by talent fees, rights fees, production, marketing and on-site logistics. Many of these costs flow to non-resident suppliers and therefore generate WHT and reverse charge VAT exposure in the promoter's hands.

3.2 Production and Technical Services

Production encompasses various activities such as staging, rigging, lighting, sound, video, broadcast infrastructure, special effects, set design, costuming and on-site technical labour etc. The supplier base for major events can be overwhelmingly foreign at times. These suppliers typically deploy crew and equipment into KSA which increases the complexity from a tax perspective (PE risks).

3.3. Talent Procurement, Artist Management and Image Rights

Few areas in the events industry attract more tax exposure than the procurement of foreign talent. Artists, athletes, performers, DJs, headline speakers and esports professionals are typically contracted through one or more layers: a personal services company, an artist management agency, a touring company, a record label, a sponsorship agency or an image rights vehicle. The decomposition of a single talent appearance fee into its constituent elements - performance fee, appearance fee, image rights license, sponsorship endorsement, merchandising royalty - drives the WHT classification of each leg.

KSA's tax treaties generally include a specific article (typically Article 17) dealing with entertainers and sportspersons that overrides the standard business profits and royalties allocation rules. Under that article, the host state retains primary taxing rights over income derived from personal activities exercised in that state, regardless of whether a PE exists. The interaction between Article 17, the royalty article, and KSA's domestic 5% / 15% WHT rates is one of the most contested areas.

3.4. Venue Operators and Ticketing

Generally, venue operators' contract with promoters to provide the venue along with related services for events. Venue charges typically combine venue rent, ancillary services (security, cleaning, F&B catering rights, parking) and a revenue-share element on tickets or hospitality. Each component can carry different VAT and CIT consequences depending on classification.

Ticketing in KSA increasingly flows through a small number of platforms operating under the GEA oversight. The tax treatment of ticketing income depends on whether the platform is a principal or an agent in the supply chain.

3.5. Sponsorship and Commercial Rights

Sponsorship is a major revenue stream for most large events, with contracts typically covering a bundle of benefit(s) such as advertising, hospitality, tickets, branding, content, event activation, naming rights and digital exposure. Each of these components, viewed in isolation, could have a different VAT treatment, place of supply and potentially a different WHT treatment.

Sponsorship deals in the region could generally be partially or wholly settled in kind.. Barter sponsorship is treated as two reciprocal taxable supplies for VAT purposes, valued at fair market value, and creates symmetrical reverse charge/export exposure where either leg involves a non-resident counterparty.

3.6. Media, Broadcast and Digital Rights

Broadcast and digital rights represent the third pillar of event monetization. The structure typically involves the promoter licensing the broadcast rights to a regional or global broadcaster against a rights fee, with a parallel host-broadcast services arrangement to capture and produce the feed. Where the broadcaster is a non-resident, but the event is in the KSA, questions on applicability of 0% VAT arises. Further, similar questions arise on the host broadcaster services arrangement.

3.7. Joint Ventures with International Event IP Holders

An increasingly common model involves a KSA joint venture between a local sponsor and a foreign IP holder. The foreign IP holder typically licenses its global IP to the KSA JV in return for royalties and/or an equity interest. Given the complexity of these arrangements, key tax considerations include royalty WHT, TP on IP licensing, PE exposure from services, and VAT on contributions and barter arrangements, making detailed tax structuring important before incorporation.



4. KSA Direct Tax considerations



4.1. The Dual System: CIT and Zakat

For events businesses, the choice of legal entity, the cap-table and the contracting party can each tip the balance between a CIT and Zakat outcome. A KSA promoter held by a UAE entity with GCC-national ultimate owners is generally a Zakat payer (assuming no non-GCC shareholding in the chain). A KSA promoter held by a global event group ultimately owned outside the GCC is a CIT payer. A KSA promoter held by a PIF affiliate may itself benefit from specific PIF-related exemptions or may be exempt only at the PIF level. The pre-investment tax due diligence should map this dimension carefully because it drives the effective tax rate by upwards of 10 to 15 percentage points.

4.2. Permanent Establishment

Article 4 of the KSA Income Tax Law sets out the domestic concept of permanent establishment (PE). It includes the classical fixed place of business test, the construction/installation PE (for projects exceeding the threshold), the dependent agent PE, and - critically for events - a service PE concept covering the provision of services in KSA, including consultancy services. It is worth noting that the current tax law has no de minimis threshold for the creation of a permanent establishment. Accordingly, even a single day of presence in the Kingdom could potentially give rise to a permanent establishment, although in practice, the ZATCA may apply a more facts-based approach when assessing whether a permanent establishment exists.

The service PE threshold under the domestic law is materially lower than the 183-day equivalent found in many double tax treaties. The interaction between domestic law and treaty law is therefore central. Where the foreign supplier is resident in a state with a KSA tax treaty, the treaty's PE article will apply; where there is no treaty, the PE establishment under the domestic law may become critical.

4.3. Withholding Tax

Withholding Tax is, in revenue terms, the dominant cross-border tax in event transactions because of the breadth of payments captured. The domestic rate card under Article 68 of the Income Tax Law is summarized below.

Category of Payment	Rate	Typical Application in Events
Royalties (use of, or right to use, IP)	15%	Format license fees; broadcast rights fees paid to non-resident rights holders; merchandising royalties; trademark and image-rights licenses
Management fees	20%	Regional management charges where the contractual or functional substance is management of the KSA entity
Technical and consultancy services	5%	Production design, technical consultancy, engineering services, broadcasting consultancy, safety and operational advisory
Rent	5%	Equipment hire (lighting, AV, staging, broadcast trucks) from non-resident lessors; venue-equivalent hire arrangements
Dividends	5%	Dividends out of KSA to non-resident shareholders
Interest, insurance/reinsurance, freight, air tickets/cargo, telecoms	5%	Various; relevant to event financing, equipment freight and event insurance
Other payments not otherwise classified	15%	Default residual category. Often applied by ZATCA where classification is contested

Two practical points warrant emphasis. First, the classification of payments between these categories is rarely binary and frequently contested. A single contract for the delivery of a major show typically includes payment for production services, equipment hire, talent fees and the right to use the event format - each of which is taxed at a different rate.

The default ZATCA position in audit is to apply the highest applicable rate to the entire payment unless the taxpayer can substantiate a granular allocation supported by contractual evidence. Second, services performed wholly outside KSA are nevertheless subject to KSA WHT under domestic law where the source rules attribute the income to KSA - a feature that materially distinguishes KSA from the more residency-focused approach in some other jurisdictions.

4.4. Force of Attraction

The KSA Income Tax Law applies a strong force-of-attraction concept. Where a non-resident has a PE in KSA, there is a risk that other income directly derived from sources in KSA by the PE's Head Office may be attributable to that PE. The practical consequence in events is significant: a foreign production company that maintains a service PE in KSA for one event may find that unrelated supplies into KSA over the same period are pulled into the PE for tax purposes, expanding the taxable base and complicating treaty relief.

4.5. Treaty Network and Practical Relief Mechanics

KSA has built one of the GCC's broadest treaty networks, including comprehensive double tax treaties with all major European jurisdictions (UK, France, Netherlands, Italy, Spain, Switzerland, Ireland, Greece, Austria, Sweden, Luxembourg, Portugal, Cyprus among others), with the UAE, with India, with Singapore, with China, with Japan and with Korea. The treaty network materially reduces the headline WHT exposure on royalties, technical services and dividends, with capped rates typically in the 0% to 10% range.

Treaty relief is, however, not automatic. ZATCA generally requires the KSA payer to withhold at the full domestic rate and pay over the tax, with the non-resident recipient then claiming a refund from ZATCA on the basis of treaty entitlement. Some treaty positions can be applied at source where a tax residency certificate (TRC) and certain other documentation is in place. Refund claims under treaties have historically taken 12 to 24 months to be processed. For events with compressed cash cycles, the working capital cost of withholding-and-refund is material and should be modelled into the commercial terms. Increasingly, foreign suppliers are pricing this cost back into their gross fee, transferring the burden to the KSA promoter.

The substantive treaty articles most relevant to events are: Article 5 (PE, including service PE thresholds where included), Article 7 (Business Profits - defining the basis of PE taxation), Article 12 (Royalties - reducing the 15% domestic rate to treaty rates typically 5-10%), Article 14 (Independent Personal Services - sometimes still present in older treaties), and Article 17 (Artistes and Sportspersons - the override that retains KSA's source taxing right over personal performance income). Where a treaty does not address technical services explicitly, the domestic 5% rate generally applies without treaty reduction, as KSA does not concede on that category in the absence of a specific treaty article.



5. Zakat - Considerations for KSA/GCC-Owned Event Businesses

Recent amendments to the Zakat Implementing Regulations have re-shaped the treatment of several items relevant to event businesses. Long-term contracts (multi-year sponsorship arrangements, multi-year talent contracts, multi-year venue rights deals) require careful classification between current and long-term elements. Provisions for event cancellation, refundable ticketing balances and accrued sponsor obligations are areas where ZATCA's approach in audit has evolved, and where the taxpayer's accounting policy choice can drive the Zakat outcome by several percentage points of base.

From 1 January 2024, transfer pricing documentation requirements have been progressively extended to Zakat payers (in addition to mixed and CIT entities). This brings the related-party transactions of a Zakat-paying event group within the same documentation perimeter that applies to CIT payers, with TPDF, Local File and Master File requirements applying based on size thresholds. While Zakat itself is not computed on an arm's-length profit basis, the TP framework now applies to Zakat-paying entities for documentation and disclosure purposes, and ZATCA has indicated that arm's-length pricing adjustments may flow through into the Zakat base via the accounting profit adjustment route.





6. Transfer Pricing

6.1. KSA TP Bylaws and OECD Alignment

The KSA Transfer Pricing Bylaws, issued in February 2019 and subsequently updated, set out the country's TP regime. The Bylaws are explicitly aligned with the OECD Transfer Pricing Guidelines and the BEPS final reports. They apply the arm's-length principle, recognise the five OECD methods (CUP, Resale Price, Cost Plus, TNMM, Profit Split), and require taxpayers to evidence arm's-length pricing through contemporaneous documentation.

6.2. High-Risk Intercompany Transactions in the Events Sector

The events industry concentrates several categories of intercompany transactions that ZATCA examines with particular attention:

- Event IP and format licensing - where a KSA event entity licenses a format, brand or rights bundle from a related foreign IP owner, the royalty rate is a primary audit target. ZATCA's standard challenge is to test the royalty against external comparables, against the profitability of the KSA licensee post-royalty, and against alternative structures (cost-sharing, profit split).
- Management and head office service fees - particularly where the KSA entity is part of a global events group and bears a regional or global services charge. The challenge here is twofold: substantiating the actual delivery of services (receipt and benefit test) and substantiating the markup applied (typically 5% on cost for low-risk routine services).
- Talent procurement intercompany flows - where a related entity in another jurisdiction is interposed between the KSA promoter and the underlying artist. ZATCA tests whether the interposed entity adds substantive value, and may challenge the pricing if not.
- Central production services - where a regional production hub (often in the UAE) provides production services to KSA event vehicles. The pricing methodology (typically TNMM on a cost-plus basis) and the cost base used drive the outcome.
- Sponsorship aggregation and rights resale - intra-group sales of sponsorship rights, broadcast rights or hospitality inventory.
- Intercompany financing - particularly where the KSA event vehicle is debt-funded by a related party. ZATCA examines both the rate (interest pricing) and the structure (thin capitalization, debt characterization).

6.3. Pricing Methodologies in Industry Practice

There is no single “right” TP method for events businesses, but industry practice tends toward the following defaults. For routine intra-group services, TNMM on a cost-plus basis with a markup in the 5%-10% range is the standard approach. For IP licensing, CUP using external license comparables is the preferred method where comparables exist, with profit split as the fallback where the IP is genuinely valuable and unique. For talent procurement intermediaries, the structure should be tested against the conduit test before any pricing analysis is meaningful. For central event production, profit split methodologies are increasingly defensible where multiple group entities contribute significant value to the same event.





7. Value Added Tax

When you organize, host, sponsor, or supply services to an event held in Saudi Arabia, KSA VAT at 15% almost always applies regardless of whether you, your customer, or the performer is Saudi-based or foreign.

The single most important VAT principle for the Events industry is the place of supply rule. Careful analysis is required to determine whether a supply constitutes an event service, which typically follows the place-of-performance rule, and ancillary services, which may not.

Determining whether a transaction represents a single integrated event service or multiple distinct supplies requires assessment of the underlying contractual arrangements, commercial substance, and the customer's perspective. Given the fact-specific nature of this analysis, the VAT treatment of ancillary and digitally delivered event-related services remains an area that often requires scrupulous evaluation. This distinction is increasingly important given the growing digitalization and commercialization of events.

7.1. Place of Supply

Before anything else, we need to determine, “*where does this supply take place?*” This is called the “place of supply,” and it decides whether KSA VAT applies at all.

7.1.1. General Principle

As a general principle, KSA VAT applies where the place of supply is deemed to be in Saudi Arabia. For services, the default rule under the GCC VAT Agreement is that the place of supply is the place of residence of the supplier. Accordingly, services supplied by a KSA resident are generally regarded as taking place in the Kingdom and fall within the scope of KSA VAT. In addition to this, a supply made by a non-resident Person can take place in the KSA, e.g., in cases where the Customer is resident in the KSA.

7.1.2. Special Cases

As an exception to the general principle, cultural, artistic, sporting, educational, recreational, and entertainment services are deemed supplied where the event is physically held. If the event is held in Saudi Arabia, KSA VAT applies at 15%, no matter where the organizer is registered, where the performer lives, or where the customer bought their ticket. This rule aligns the VAT treatment with the location where the event is actually performed and enjoyed.

7.1.3. Place of Supply for Supplies by Non-Resident Performers

In principle, KSA VAT will always be chargeable on services offered in the KSA. However, the mechanism for charging VAT may differ in cases where the supplier is non-resident.

a. Non-Resident Supplier Is Obligated to Obtain Registration and Charge KSA VAT

Non-resident supplier makes a supply to **a KSA resident** unregistered business or an individual customer and the place of supply is in the KSA

Non-resident supplier must register for KSA VAT (if not already registered) and charge KSA VAT to the customer*

Non-resident supplier makes a supply to a Customer who is **not a KSA resident**, and the place of supply is in the KSA

Non-resident supplier must register for KSA VAT (if not already registered) and charge KSA VAT to the customer*

b. Taxable Customer Self-Accounts For KSA VAT

Non-resident supplier makes a supply to a KSA resident customer who is registered in the KSA VAT, and the place of supply is in the KSA

Taxable customer is obliged to self-account for the VAT under Reverse Charge Mechanism. The non-resident supplier must not obtain registration or charge KSA VAT

**If a non-resident performer/supplier must charge KSA VAT to consumers, registration is required regardless of how small the sales are, there's no minimum threshold exemption in this case. But once registered, they only charge VAT on the direct-to-consumer sales mentioned in Category (a) above, not on sales to KSA VAT-registered businesses.*

Let's understand with a practical scenario: A concert, exhibition, or sporting event takes place on Saudi territory, KSA VAT at 15% is due irrespective of whether the organizer is a Saudi company, a foreign company, or a non-resident performer.

Scenario	Location of Event	KSA VAT Due?
Museum tickets sold in KSA	KSA	Yes - 15%
Concert by foreign artist in KSA	KSA	Yes -15%
Travel agency in KSA sells ticket to museum in Spain	Outside KSA	No
KSA-based agency sells KSA concert ticket	KSA	Yes -15%

7.2. KSA VAT Implications

In this section we have discussed the KSA VAT implications on various types of supplies generally impacting the events industry.

7.2.1. Ticketing and Admission

What Counts as “Admission”?

An admission or booking fee is simply what someone pays for the right to attend an event, whether it’s a single ticket, a season pass, a subscription, or a recurring membership fee. The essential characteristic of admission (booking) fees is the granting of the right of admission to an event or multiple events in exchange for a ticket or fees, including payment in the form of a subscription, a season ticket, or a periodic fee.

Who is the Supplier?

The supplier of an admission service is the person who enters into the contract with the customer granting the right of attendance. This may be the venue operator, event organizer, or ticket reseller depending on the commercial arrangement.

How VAT Applies

- A ticket to an event is not treated as a voucher for VAT purposes. VAT is charged on the actual price paid, not on any face value printed on the ticket.
- Tickets to events held in KSA are taxable at 15%, whether sold directly by the promoter or through a ticketing platform (acting as either agent or principal). This distinction affects who reports the VAT but not the VAT rate or whether VAT applies.
- Booking fees charged separately from the ticket price are taxable at 15%, due at the time charged, regardless of whether the event subsequently takes place.

Complimentary / Free Tickets

Complimentary or comped tickets issued to sponsors, broadcasters, VIP guests, staff and contractors are deemed supplies for VAT purposes if they are not made in the course of business or they exceed the entity's permitted gift threshold. Most major events issue tens of thousands of complimentary tickets per cycle, and the cumulative VAT exposure on this stream is material.

When Does VAT Become Due?

- For attendance-based services, supply is generally complete when the event concludes.
- If consideration (e.g., ticket purchase) is received before the event, VAT is due at the time of receipt to the extent of the amount received.
- If a tax invoice is issued before the event, VAT is due on the invoice date.

VAT Consequences of Cancellation/Refunds

If an event is cancelled or a ticket is refunded, the VAT adjustment will be as follows:

Situation	VAT Treatment
A full or partial refund issued	Supplier issues a credit note and reduces output VAT accordingly
Non-refundable cancellation fee	Subject to VAT as it is considered as payment for the supplier's commitment
No refund given (e.g., "no-show" policy)	No VAT adjustment. VAT stays due on the amount originally received

7.2.2. Hotel Accommodation, Catering and Related Hospitality Services

Hospitality services frequently form part of the overall attendee experience at events, particularly where conferences, exhibitions, festivals, and other large-scale events involve accommodation, catering, venue facilities, transportation, or ancillary guest services.

7.2.2A. Hotel Accommodation

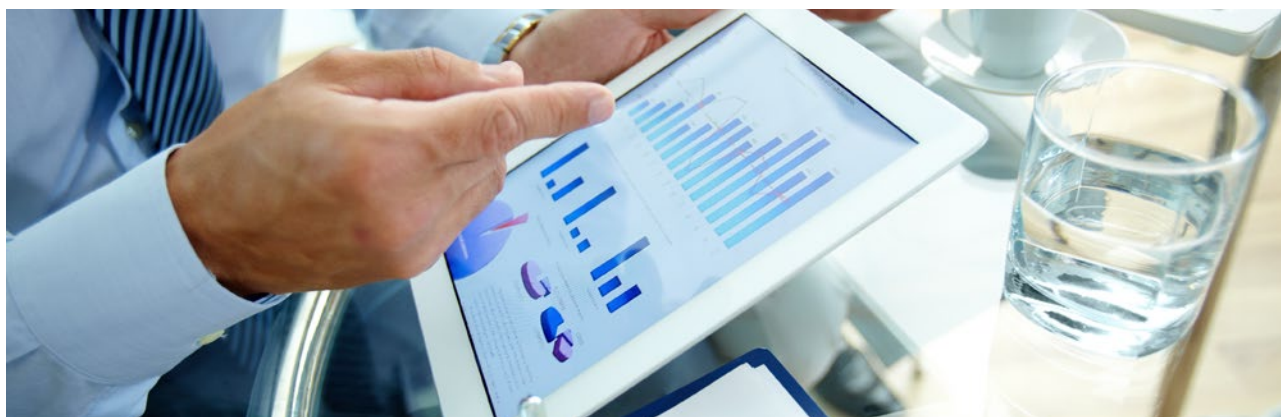
The provision of hotel accommodation and serviced lodging is generally subject to VAT at the standard rate of 15%. This treatment extends not only to room charges, but also to related services and fees charged in connection with the stay, including early check-in or late checkout fees, service charges, business facility usage, telecommunications services, hotel transfers within the Kingdom, and other ancillary hospitality services.

Where hospitality services are provided through third-party hotel operators or management companies, the VAT treatment will depend on the contractual arrangements and the capacity in which the operator acts. In particular, it is important to determine whether the operator is acting as principal or merely as an agent for the hotel owner, as this will determine the entity responsible for charging, collecting, and reporting VAT on the transaction.

7.2.2B. Catering

Food and drink served for consumption on-site (hotels, restaurants, event venues) is a catering supply taxable at 15% VAT on the full amount charged, including mandatory service charges.

Type of charge	VAT Treatment
Mandatory service charges	Taxable at 15%
Suggested gratuity added to a bill/invoice	Taxable at 15%
Purely voluntary tip (no obligation, no expectation)	Outside the scope of VAT



7.2.3. Cultural, Artistic, Sport, and Entertainment Services

7.2.3A. Sports Clubs and Memberships

Club memberships (access to facilities, coaching, training programs) and admission to sporting events are taxable at 15%, whether the fee is a recurring membership or a one-time payment.

The VAT treatment of payments made by sports clubs depends on the nature of the contractual relationship.

Relationship	VAT Treatment
Employee under an employment contract	Outside the scope of VAT. Services provided by employees in the course of employment do not constitute an economic activity.
Fees charged by independent athlete, coach, consultant, or trainer	Taxable supply at 15%. Independent service providers must register if they meet the VAT registration threshold.

7.2.3B. Advertisement and Sponsorship

Sponsorship arrangements in the events and entertainment sector are generally treated as taxable supplies where the sponsor receives identifiable benefits in return for its contribution. Such benefits may include brand visibility through logo placement and advertising at event venues, promotional activities, naming rights, hospitality packages, or preferential access. In these circumstances, the sponsorship payment constitutes consideration for advertising, marketing, or other promotional services supplied by the event organizer and is therefore subject to VAT at the applicable rate. Event organizers should therefore assess the nature of the rights and benefits granted under sponsorship agreements to determine the appropriate VAT treatment and ensure compliance with invoicing and reporting obligations.

When sponsorship is paid “in kind”

In practice, sponsorship arrangements are often settled wholly or partly through in-kind contributions rather than cash. Sponsors may provide goods or services—such as vehicles, equipment, technology solutions, hospitality, branded merchandise, or professional services—in exchange for sponsorship

rights. Such arrangements are generally treated as barter transactions for VAT purposes, resulting in two separate taxable supplies, each valued at its open market value. Consequently, both parties may be required to issue tax invoices, account for output VAT on their respective supplies, and comply with any applicable reverse charge obligations where cross-border transactions are involved. Given the complexity of these arrangements, maintaining robust contractual documentation and supportable valuation methodologies is critical to mitigating VAT risks and potential audit adjustments.

Determining the Place of Supply

The place of supply for sponsorship has historically been one of the most contested issues. Where the sponsor is a non-resident, the question is whether the supply of “sponsorship rights” falls within the place-of-performance rule or within the general rule of location of customer.

The prevailing analytical approach is to split the sponsorship package into its components.

Components	VAT Treatment
On-the-ground items such as hospitality, venue activation, tickets, in-stadium signage	KSA VAT applies (performed in KSA)
Purely digital/off-site items such as online exposure, social media campaigns, brand rights usable outside KSA	May qualify as a zero-rated “exported service”, if the conditions in Article 33 of the VAT Implementing Regulations are met

Two conditions that challenge may the zero-rating of exports are:

1. The service is actually performed in KSA, or
2. The sponsor has any establishment, branch, or representative in KSA.

Where any element of the sponsorship is rendered to a sponsor that has a fixed establishment, branch or appointed representative in KSA, the export-of-services route is generally closed for that element. Many regional sponsors (sovereign-backed brands, regional telecoms, regional financial institutions) operate KSA branches, which eliminates the zero-rating route for the bulk of their sponsorship spend.

7.2.3C. Competitions: Appearance Fees and Prize Money

Income earned by participants in sporting and competitive events may take various forms, including appearance fees, participation payments and performance-based rewards such as prize money. The VAT treatment of such receipts depends on the nature of the arrangement and the extent to which the recipient is carrying on an economic activity.

In our view, appearance fees should generally be regarded as consideration for services provided by the participant and, where received in the course of a taxable economic activity, are subject to VAT. This may be relevant across a range of events, including professional sporting competitions, motorsport events and racing activities.

A key consideration is whether the underlying activity is conducted with sufficient regularity and commercial intent to constitute an economic activity for VAT purposes. Individuals or entities participating in competitions, including owners of racing animals such as horses or camels, should assess whether their involvement is undertaken as a business or investment activity aimed at generating recurring income. Where this threshold is met, VAT registration obligations and input VAT recovery opportunities may arise, subject to the applicable requirements and evidentiary expectations set out by ZATCA.

7.2.4. VAT on Free Tickets, Hospitality and Nominal Supplies

KSA VAT legislation provides that the supply of goods or services made free of charge by a taxable person is generally treated as a nominal supply. In such cases, the supplier is required to account for VAT at 15% based on the purchase value or fair market value and issue a tax invoice for record-keeping purposes only. The VAT remains a cost to the supplier, as it is not charged to the recipient. However, there are certain exceptions such as nominal supply is not recognized where input VAT has not been deducted.

Complimentary tickets, hospitality, branded merchandise given to sponsors and gifts to dignitaries' may trigger deemed supply rules where the value exceeds prescribed thresholds.

7.2.5. VAT Refund for Inbound Tourists and Foreign Businesses

As Saudi Arabia continues to position itself as a global destination for tourism, entertainment, sports, and business events under its Vision 2030 agenda, VAT recovery mechanisms can play an important role in enhancing the attractiveness of the Kingdom for both international visitors and overseas businesses.

For inbound tourists, the KSA Tourist VAT Refund Scheme enables non-resident visitors to recover VAT incurred on eligible retail purchases made during their stay, including event-related merchandise purchased from participating retailers. By reducing the effective cost of spending, the scheme supports the broader Vision 2030 objective of encouraging tourism and enhancing the visitor experience.

A separate refund mechanism is available for foreign businesses that incur KSA VAT while participating in events, such as on venue hire, hospitality, marketing, production, and other event-related services. Subject to prescribed conditions, including reciprocity with the applicant's home jurisdiction and the absence of taxable supplies in KSA, such businesses may be able to recover the VAT incurred.



7.3. Input VAT Deduction

In the events, recreation and entertainment sector, VAT incurred on venue hire, production services, logistics, marketing, catering, hospitality and employee-related activities can represent a significant cost. However, whether such VAT can be recovered depends not only on the nature of the expense, but also on how the goods or services are used within the business.

As a starting point, Input VAT incurred in making taxable supplies is generally recoverable, provided the business holds the required supporting documentation. Conversely, VAT relating to exempt activities is not recoverable. Where costs support both taxable and exempt activities, an appropriate apportionment methodology must be applied to determine the recoverable amount.

Nature of Expenses	VAT Recovery Position
Costs directly attributable to taxable supplies	Generally deductible in full
Costs directly attributable to exempt supplies	Generally non-deductible
Shared or overhead costs supporting both taxable and exempt activities	Recoverable based on an approved apportionment methodology
Entertainment, hospitality and catering expenses	Generally restricted from recovery, subject to limited exceptions

For businesses operating in the events industry, one of the most common challenges arise in relation to entertainment and catering expenditure. ZATCA generally restricts the recovery of VAT incurred on entertainment, sporting, cultural and catering services, even where such costs are incurred for business purposes such as client meetings, networking events or employee engagement activities.

Having said that, the above restriction is not absolute. Input VAT recovery may still be available where the relevant goods or services are to be directly supplied onwards as a Taxable Supply by the Taxable Person, for example, where an event organizer, conference provider or hospitality business purchases catering or entertainment services as part of its taxable offering to customers. Similarly, where refreshments are merely incidental to a wider taxable event, such as a conference, exhibition or training program, the associated VAT may remain recoverable depending on the facts and circumstances.

Important to note that cost attributable towards exempt supplies is not a major issue given that the sector is generally taxable, and we typically don't see instances of exempt supplies in the sector.

7.4. Key considerations for event businesses include:

- Assess whether the expenditure is incurred for internal consumption or forms part of an onward taxable supply to customers.
- Evaluate whether catering or hospitality is a standalone element or merely incidental to a broader taxable event.
- Maintain sufficient documentation to support the VAT recovery position adopted.
- Consider specific exceptions available for costs incurred in fulfilling statutory or regulatory obligations towards employees.

Given the diverse nature of activities undertaken by event organizers, entertainment providers and venue operators, a detailed review of Input VAT recovery positions can help minimize irrecoverable VAT costs while ensuring compliance with ZATCA requirements.





8. KSA Entities Doing Business in the GCC and Europe

8.1. The Outbound Tax Footprint

As KSA-headquartered event groups expand outward - staging tours, executing brand-sponsored events for clients in other GCC and European markets, providing production services across borders - the tax considerations multiply. A KSA promoter delivering an event in Dubai, Doha, Cairo, London or Paris faces, in each jurisdiction, a parallel set of PE, WHT, VAT and corporate income tax questions analogous to those facing inbound entrants to KSA. The KSA group's tax position is the sum of these foreign exposures, layered on top of its KSA home-country tax position.

8.2. Permanent Establishment Risk in Host Jurisdictions

The PE analysis in destination jurisdictions varies materially by country, but several patterns emerge. Within the GCC, several jurisdictions (notably the UAE under the Federal Corporate Tax regime that took effect in mid-2023) apply PE concepts broadly similar to the OECD model. A KSA promoter staging an event in the UAE for more than a short window will, depending on the structure, create a UAE service PE under domestic law subject to treaty mitigation. Within Europe, PE analyses follow the underlying treaty model, with most countries applying a 183-day services PE threshold under the relevant KSA bilateral treaty, but applying lower thresholds for construction PEs that can be triggered by large physical stage builds.

8.3. Withholding Tax Exposure in Host Countries

Many GCC and European host jurisdictions impose WHT on payments to non-residents for services, royalties and rentals. A KSA promoter receiving payments from a foreign client for services rendered in the host country will, in many cases, be subject to host-country WHT, which is then recoverable as a foreign tax credit in KSA under domestic foreign tax credit rules and any applicable treaty mechanism. The mechanics of credit utilisation, particularly the per-country versus aggregated approach, and the foreign tax credit cap by reference to KSA tax on the same income, require modelling to avoid leakage.

8.4. VAT and Indirect Tax in Host Countries

The GCC Unified VAT Framework Agreement does align place-of-supply principles for cultural, artistic, and sporting services across the states that have actually implemented it, but implementation itself remains partial. Only Saudi Arabia, the UAE, Bahrain, and Oman currently operate VAT systems, while Qatar and Kuwait have not yet introduced VAT at all. A

KSA entity staging an event in the UAE, Oman, or Bahrain will, in principle, find that the place-of-performance rule yields a place of supply in the host state, triggering potential host-state VAT registration and other compliance obligations. Similar obligations may also arise in respect of the events being organized in the European countries as well.

8.5. Transfer Pricing for Outbound Services

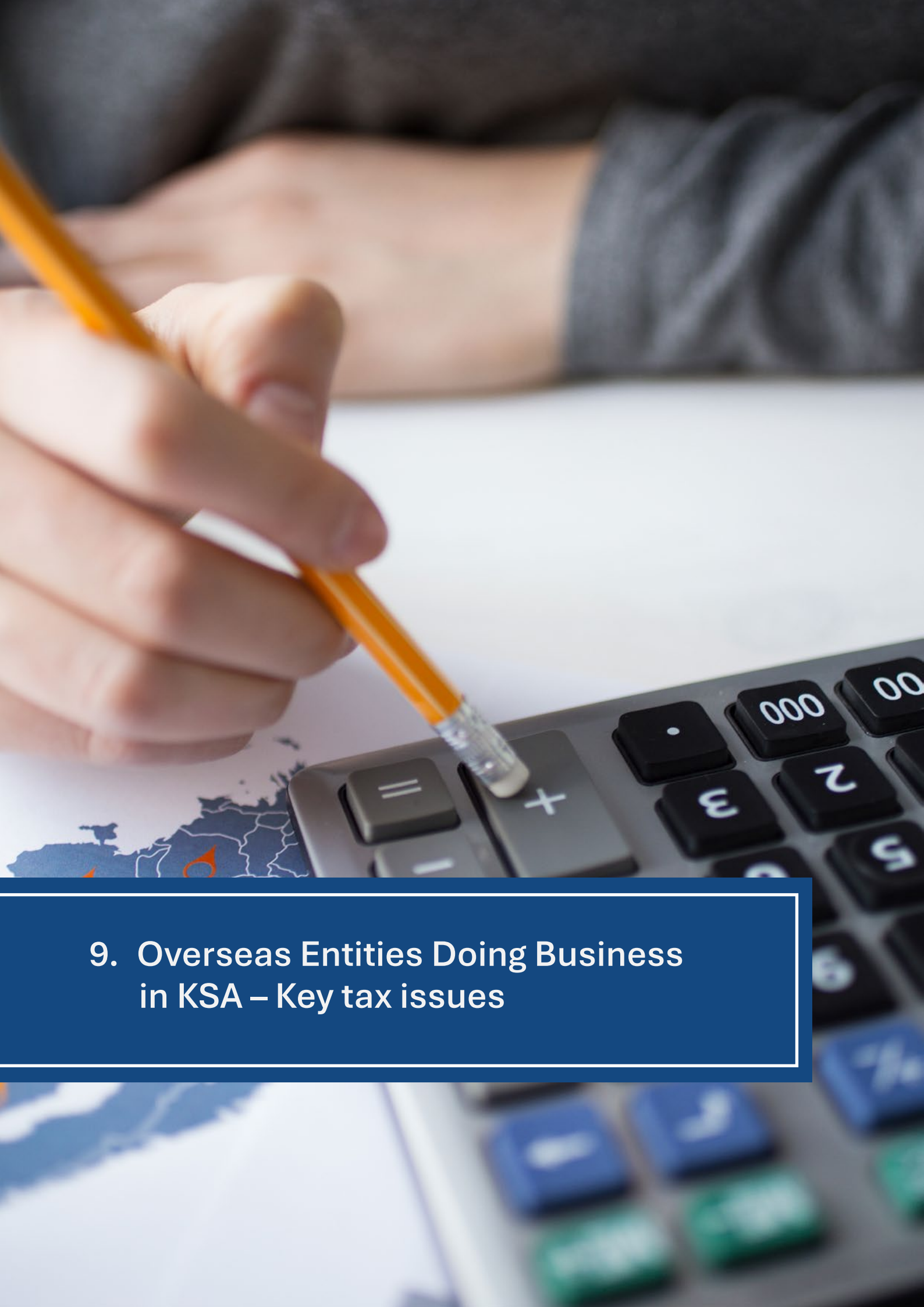
Where the KSA entity provides services to non-resident affiliates - for example, central event production services, central commercial services, central licensing services - the TP analysis must be supported by documentation that satisfies both KSA TP requirements and the host-country TP requirements. Many KSA event groups underestimate the documentation burden of operating across multiple TP regimes simultaneously, and the risk of cross-jurisdictional TP adjustments leading to economic double taxation. APAs and bilateral procedures, while procedurally heavy, become more attractive as outbound flows scale.

8.6. Foreign Tax Credit Mechanics in KSA

Under the KSA Income Tax Law, a resident taxpayer is entitled to a credit for foreign taxes paid on foreign-source income, capped at the KSA tax payable on the same income. The credit is claimed in the KSA tax return and supported by foreign tax documentation. For Zakat-paying entities, the position is more limited because Zakat is not, technically, an income tax: foreign taxes paid by a Zakat-paying entity on foreign-source income are generally not creditable against Zakat, although they may be deductible in computing the Zakat base. This asymmetry creates a structural disadvantage for Zakat-paying groups expanding outward, and is a frequent driver of CIT-payer holding structures for foreign expansion.

8.7. Treaty Optimization for Outbound Flows

KSA's expanding treaty network, including in particular the UK, German, Dutch, French and Singapore treaties, offers material outbound efficiency. The choice of contracting entity - a Saudi-resident operating company versus a UAE-based regional vehicle versus a European holding company - should be made with reference to the available treaty rates, the substance requirements in the chosen jurisdiction, and the holistic tax footprint of the group. Substance-light intermediate holding structures are increasingly vulnerable to challenge under principal-purpose tests embedded in modern treaties and the MLI; legitimate operating substance is the durable defence.



9. Overseas Entities Doing Business in KSA – Key tax issues

9.1. Withholding Tax Burden and Its Mitigation

An overseas entity selling services into KSA without a local presence is fully exposed to KSA WHT on all KSA-source payments it receives. As discussed at Section 4.3, this can mean a 15% gross WHT on royalty-classified receipts, 20% on management fees and 5% on technical services and rentals, with refund-route treaty relief carrying material cash-flow cost. Establishing a KSA branch or subsidiary that becomes the principal contracting party with KSA customers shifts the tax point from cross-border WHT to local CIT, which is generally more efficient on net basis where the local entity has a meaningful cost base.

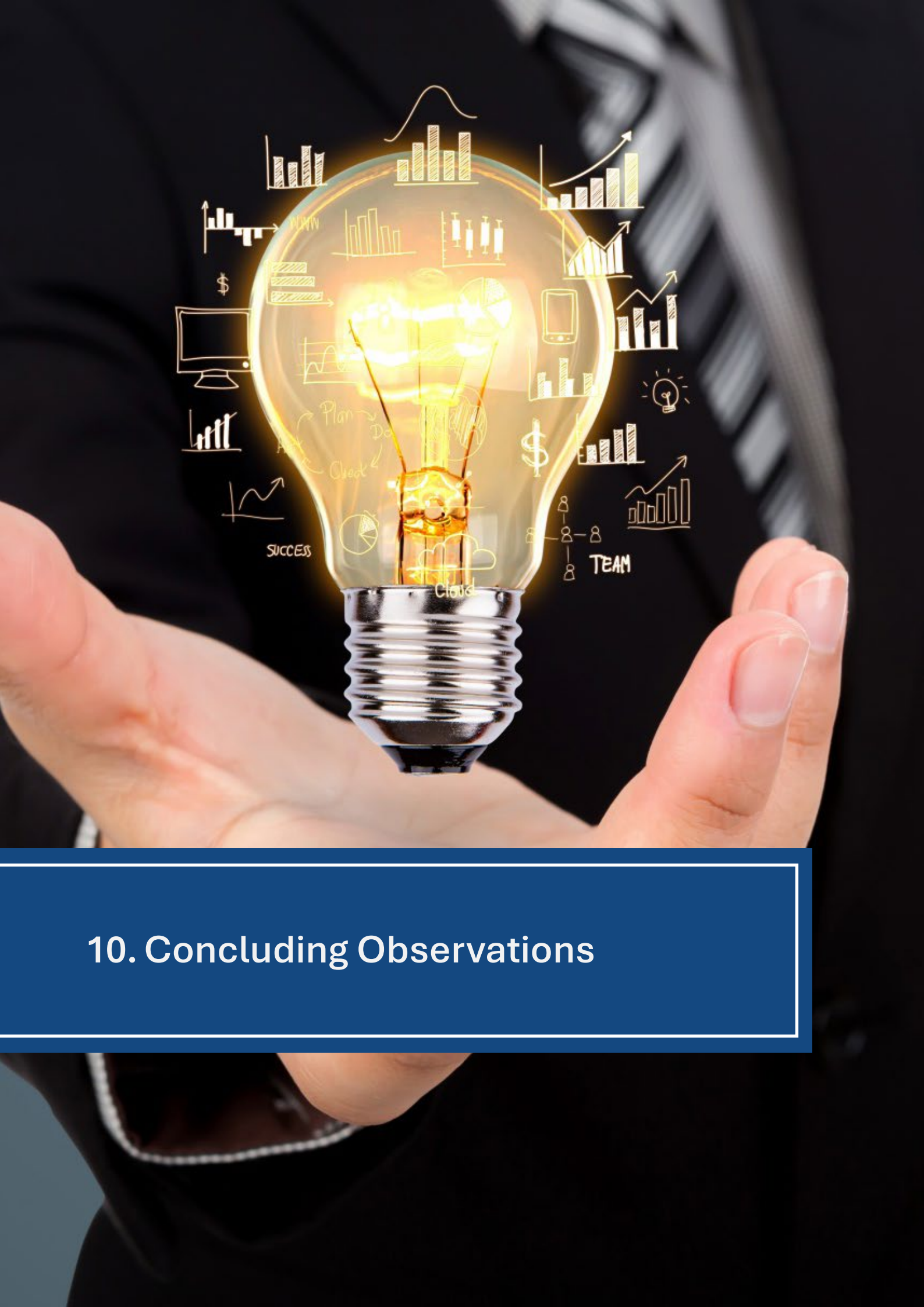
9.2. Non-Resident VAT Compliance

A foreign event services provider making supplies in KSA that fall within the place-of-performance rule, or otherwise making KSA-source taxable supplies (B2C/ B2G supplies), are potentially required to register for VAT in KSA from the first supply.

9.3. Force of Attraction and Its Strategic Implication

As discussed at Section 4.4, the force-of-attraction concept in KSA domestic law tends to widen the taxable base of a non-resident with a PE in KSA. The strategic implication for inbound event groups is to control the perimeter of the PE - by channeling KSA-source supplies through a single registered entity rather than allowing them to arise across multiple ad-hoc contracts - and to structure the supply chain to ensure that the registered entity is the principal contracting party for the relevant flows. Failure to do so typically results in unanticipated tax exposure that is difficult to remediate after the fact.

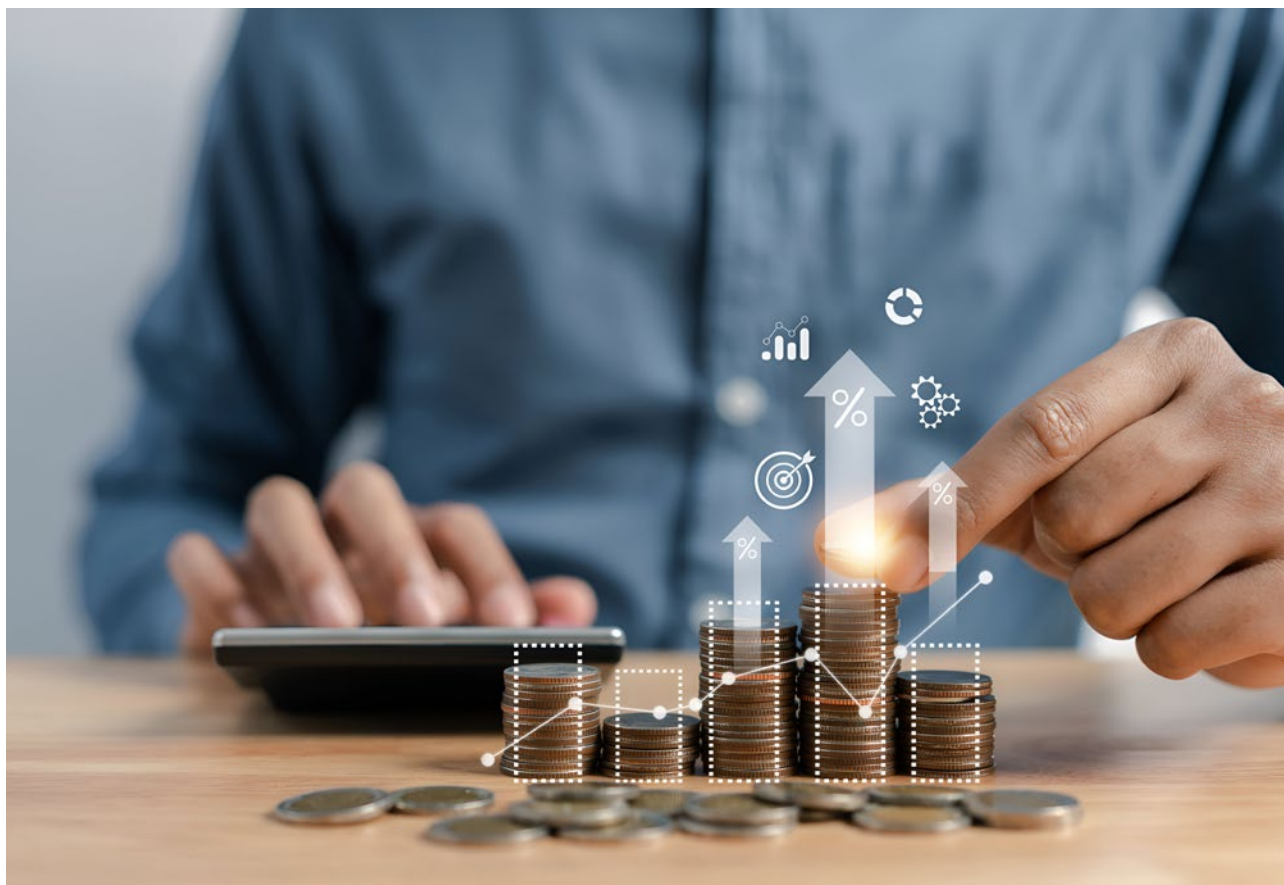




10. Concluding Observations

The KSA events industry is at an inflection point. Vision 2030's investment pipeline has produced a high-velocity, internationally-connected sector that operates at the intersection of regulated entertainment, sovereign-backed commercial activity and global supply chains. The tax frameworks governing the sector have themselves been in continuous evolution, CIT amendments, the extension of TP to Zakat payers, the e-invoicing rollout, and several iterations of the VAT Implementing Regulations have all landed within the past five years. Continued legislative activity is to be expected, including in areas relevant to the sector: a potential KSA implementation of OECD Pillar Two, refinements to the VAT treatment of digital services and a deeper alignment with international standards.

For tax leaders working in or with the sector, they should treat the cross-border tax footprint as a single integrated picture rather than as a collection of independent compliance silos; the events industry's value chain spans more jurisdictions per transaction than almost any other, and the cost of fragmented advice across them is substantial.



Appendix A - Key Tax Rates at a Glance

Tax / Charge	Rate	Note
Corporate Income Tax (general)	20%	Non-GCC share of profits
Corporate Income Tax (oil and hydrocarbons)	20% – 85%	Sliding scale by capital base; not directly relevant to events
Zakat	2.578%	GCC share of Zakat base
VAT (standard rate)	15%	Effective 1 July 2020
RETT	5%	Real estate transactions
WHT - Royalties	15%	Treaty reduction typically 5%-10%
WHT - Management fees	20%	Limited treaty relief; classification frequently contested
WHT - Technical services	5%	Treaty relief depends on treaty wording
WHT - Rentals	5%	
WHT - Dividends, interest, freight, telecoms, insurance/reinsurance	5%	
WHT - Other payments (residual)	15%	Default residual category
VAT registration - mandatory threshold (resident)	SAR 375,000	Rolling 12-month taxable supplies
VAT registration - voluntary threshold (resident)	SAR 187,500	
VAT registration - non-resident	Nil threshold	From the first supply
CbCR threshold (consolidated group revenue)	SAR 3.2bn	

Tax / Charge	Rate	Note
TP - Local File and Master File	Threshold-based	Phased application to Zakat payers from 2024
RHQ - qualifying activities	0% CIT / 0% WHT	30-year incentive, subject to substance



Appendix B - Indicative KSA Treaty Network (Selected)

The selection below reflects the principal treaties relevant to event flows in and out of KSA. Treaty rates are indicative and apply subject to the conditions set out in each treaty. The rates shown are caps; lower rates may apply by direct application of the treaty article or by interaction with the Multilateral Instrument.

Treaty Partner	Dividends	Interest	Royalties	Services PE Threshold
China	5%	10%	10%	6 months
France	0%	0%	0%	N/A
India	5%	10%	10%	182 days
Ireland	5%	0%	5% / 8%	6 months
Italy	5% / 10%	5%	10%	6 months
Japan	5% / 10%	10%	5% / 10%	183 days
Luxembourg	5%	0%	5% / 7%	6 months
Netherlands	5% / 10%	5%	7%	6 months
Singapore	5%	5%	8%	183 days
Spain	5%	5%	8%	N/A
Switzerland	5% / 15%	5%	5% / 7%	183 days
United Arab Emirates	5%	0%	10%	183 days
United Kingdom	5% / 15%	0%	5% / 8%	183 days

The treaty network is referred to here as a navigational aid only. The interaction of each treaty with the Multilateral Instrument, with the artistes-and-sportspersons article, and with the host country's domestic law, must be examined on a case-by-case basis.

OUR TEAM

UAE CONTACTS

NIMISH GOEL
Leader, Middle East
nimish.goel@dhruvaadvisors.com

ASHISH AGRAWAL
Partner
ashish.agrawal@dhruvaadvisors.com

BHAKTI THAKKER
Partner
bhakti.thakker@dhruvaadvisors.com

GEET SHAH
Partner
geet.shah@dhruvaadvisors.com

KAPIL BHATNAGAR
Partner
kapil.bhatnagar@dhruvaadvisors.com

RAKESH JAIN
Partner
rakesh.jain@dhruvaadvisors.com

SHIRAZ SALEEMI
Partner
shiraz.saleemi@dhruvaadvisors.com

UJJWAL KUMAR PAWRA
Partner
ujjwal.pawra@dhruvaadvisors.com

VLAD SKIBUNOV
Partner
vlad.skibunov@dhruvaadvisors.com

FRAN WILHELM
Associate Partner
fran.wilhelm@dhruvaadvisors.com

MONIKA MINDSZENTI
Associate Partner
monika.mindszenti@dhruvaadvisors.com

KSA CONTACTS

AMR SAMAK
Associate Partner
amr.samak@dhruvaadvisors.com

MANISH BANSAL
Associate Partner
manish.bansal@dhruvaadvisors.com

GOPAL AGARWAL
Director
gopal.agarwal@dhruvaadvisors.com

DUBAI

204, Emaar Square,
Building 4, PO Box 127165,
Dubai, UAE
Tel: + 971-4240-8477

ABU DHABI

1905, Addax Tower City of
Lights, Al Reem Island, Abu
Dhabi, UAE
Tel : +971-2678-0054

SAUDI ARABIA

308, 7775 King Fahd Road,
Al Olaya, 2970, Riyadh 12212,
Saudi Arabia



www.dhruvaconsultants.com

Disclaimer:

This information contained herein is in summary form and is therefore intended for general guidance only. This publication is not intended to address the circumstances of any particular individual or entity. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation. This publication is not a substitute for detailed research and opinion. Before acting on any matters contained herein, reference should be made to subject matter experts and professional judgment needs to be exercised. Dhruva Consultants will not accept any responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication.