

DIRECT TAX ALERT

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New Zakat, Tax and Customs Authority (ZATCA) Annual Disclosure Form for Regional Headquarters

OVERVIEW

The Zakat, Tax and Customs Authority (ZATCA) has launched an electronic **Annual Disclosure Form for Regional Headquarters (RHQs)** to enable RHQs to report on their compliance with the Economic Substance Requirements (ESR) prescribed under the Saudi Arabia Regional Headquarters Tax Rules.

The e-service is available through the ZATCA website under Zakat and Tax Management → Other Services → Annual Disclosure Form for Regional Headquarters. The service is available in Arabic and English and can be accessed through the ZATCA e-service portal.

The introduction of this form operationalises the annual reporting requirement under Article 7(B) of the Regional Headquarters Tax Rules, issued pursuant to ZATCA Board Resolution No. 9-1-24 dated 4 February 2024. RHQs should assess their readiness to complete the disclosure and maintain appropriate supporting evidence of their economic substance in the Kingdom.

WHY IT MATTERS

Article 7(B) of the Regional Headquarters Tax Rules requires every RHQ to file an annual report on the form prescribed by ZATCA, so the Authority can verify compliance with the ESR in Article 5. The ESR Disclosure Form is separate from the RHQ's regular tax and Zakat returns required to be filed under the Tax Regulations.

Under Article 9(B), ZATCA checks ESR fulfilment every year, and the declaration submitted with the form is the RHQ's formal statement that its data is true, complete and accurate.

WHAT ZATCA WILL SEE

The form is filed through the ZATCA website broadly covering:

- Board members and board meeting details
- Executive management and employee numbers, including residency in the Kingdom
- Approved main and optional licensed activities
- Financial data: KSA-owned and leased assets, eligible revenues, operating expenses and revenue from unlicensed activities, with supporting documents attached

These map directly to the Article 5 tests: premises, management and direction in the Kingdom, local operating spend, eligible revenue, a resident director, and adequate, qualified full-time staff.

WHAT IS AT STAKE

Stage	Consequence
ZATCA notice of violation	90-day corrective period
Not remedied	SAR 100,000 fine; 90 days from the fine to remedy
Still not remedied, or the same violation recurs within 3 years	SAR 400,000 fine; 90 days to remedy
Violation persists	ZATCA, with the Ministry of Investment, may consider suspending the Tax Incentives

Article 12 adds a further risk. Intentionally false or misleading information or declarations can lead to revocation of the incentives, with assessments and penalties for the affected tax years. Accuracy of the filing of the disclosure form therefore matters as much as timely submission.

NEXT STEPS FOR RHQS

- 1. Confirm the filing requirements:** Check the applicable deadline, reporting period and any further instructions issued by ZATCA.
- 2. Undertake an ESR compliance assessment:** Evaluate the RHQ's position against each Article 5 requirement, including licensing, premises, management, expenditure, eligible revenue, resident director and employee requirements.
- 3. Compile supporting evidence:** Maintain relevant records, including lease agreements, asset registers, board minutes, director residency details, employee records, payroll information and evidence of operating expenditure and eligible activities.
- 4. Reconcile financial information:** Reconcile the revenue, expenditure and asset information reported in the form with the RHQ's financial statements, accounting records and relevant tax and Zakat filings.
- 5. Review eligible and non-eligible activities:** Confirm that the RHQ's actual activities remain within the approved licence. Where non-eligible activities are undertaken, assess the requirement to maintain separate accounts under Article 8(B) and appropriately allocate income.
- 6. Review transfer pricing compliance:** Ensure that related-party transactions are consistent with the arm's-length principle and comply with the applicable Saudi Transfer Pricing Bylaws, as required under Article 12(A) of the RHQ Tax Rules.
- 7. Establish an internal review process:** Designate a responsible preparer and reviewer for the disclosure, obtain appropriate management sign-off and retain the submitted form and acknowledgement.
- 8. Prepare for potential ZATCA queries:** Maintain an organised evidence file and establish an internal process to respond promptly to any ZATCA notification, taking into account the corrective periods prescribed under Article 11.

HOW DHRUVA CAN HELP

Dhruva can support your RHQ at each stage of this obligation:

- **ESR readiness review:** We assess your RHQ against each Article 5 requirement, identify evidence gaps and recommend fixes before you file.
- **Form preparation and review:** We help prepare the Annual Disclosure Form, reconcile the financial disclosure with your financial statements and tax and Zakat returns, and review the declaration before submission.
- **Eligible and non-eligible income analysis:** We help you separate eligible from non-eligible and unlicensed activities, set up the separate accounts required under Article 8(B) and assess the withholding tax consequences.
- **Transfer pricing support:** We review intercompany services and cost allocations between the RHQ and group entities and prepare documentation that supports arm's length pricing.
- **Ongoing compliance:** We can set up an annual ESR calendar and evidence file, so each year's filing is routine.





Ranking 2026:

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

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