

Saudi Arabia

Transfer Pricing Country Profile¹

May 2025

		SUMMARY	REFERENCE
The Arm's Length Principle			
1	Does your domestic transfer pricing framework² 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 The Arm's length principle is originally in Article 63 para. "c" of the KSA Income Tax Law. Transfer Pricing By-Laws provide details regarding its application. There is also a reference to the KSA Income Tax By-Laws Article 10 (11) which states the Arm's length principle in relation to related party expenses and mentions the basis for ZATCA to issue the Transfer Pricing By-Laws.	Saudi Transfer Pricing Bylaw Article 1 (2)
2	Does your domestic transfer pricing framework give the OECD Transfer Pricing Guidelines any role or status (e.g. legal binding effect, subsidiary	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	

¹ Information in transfer pricing country profiles is provided directly by jurisdictions. By publishing the transfer pricing country profiles on the OECD website, the OECD does not certify the accurateness of the information provided therein. Importantly, transfer pricing country profiles published on the OECD website are made available to stakeholders for information purposes only, and are not intended to be used in substitution to a jurisdiction's legal instruments, jurisprudence, or administrative guidance or practice nor relied on as an accurate and complete description of domestic law.

² For purposes of transfer pricing country profiles, the term "domestic transfer pricing framework" refers to a jurisdiction's domestic legislation, regulations, administrative guidance or practice, jurisprudence or governing general principles in the jurisdiction.

	application in the absence of domestic legislation, source of interpretation of domestic legislation and/or treaty provisions, other)?	On 31/01/2019, Saudi Arabia issued transfer pricing bylaws and guidelines, which are mostly aligned with the OECD TPG	
3	Does your domestic transfer pricing framework provide for a definition of related parties applicable for transfer pricing purposes? If so, please provide the definition contained under your domestic transfer pricing framework.	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>The definition of a related person is provided under article 1 (26) of the Saudi transfer pricing bylaws.</p> <p>(a) Related person means two or more natural persons if they are:</p> <ul style="list-style-type: none"> (i) relatives through marriage or are otherwise relatives to the fourth degree; or (ii) partners in a partnership. <p>(b) a natural person is considered related to a juridical person in any of the following circumstances:</p> <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. (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. (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. (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>(c) two or more juridical persons are considered Related Persons in any of the following cases:</p> <ul style="list-style-type: none"> (i) they are Persons under Common Control. 	<p><u>Saudi Transfer Pricing Bylaw</u> 1 (26)</p> <p><u>Saudi Transfer Pricing Guidelines</u> Chapter 3 Subjects</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.

(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.

Transfer Pricing Methods

4 Does your domestic transfer pricing framework provide for transfer pricing methods to be used in respect of transactions between related parties?

Yes
 No

If affirmative, please check those provided for in your legislation:

CUP	Resale Price	Cost Plus	TNMM	Profit Split	Other (<i>If so, please describe</i>)
<input checked="" type="checkbox"/>					

If the taxpayer used Other Method other than the approved method, the taxpayer must refer to Article 9 from the Transfer Pricing Bylaws which state “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 Arm’s-Length result and that the suggested method satisfies the provisions under Article 6 of the Bylaws.”

5 Which criterion is provided for in your domestic transfer pricing framework for the application of transfer pricing methods?

Please check all that apply:

Hierarchy of methods
 Most appropriate method
 Other (*if so, please explain*)

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

[Saudi Transfer Pricing Bylaw Article 7](#)
[Saudi Transfer Pricing Bylaw Article 9](#)
[Saudi Transfer Pricing Guidelines](#) 4.2 Step 2: selection of TP method.

		transaction. In addition, Saudi Arabia takes guidance from the OECD Transfer Pricing Guidelines.	
6	Does your domestic transfer pricing framework contain specific guidance on commodity transactions?	<p><input type="checkbox"/> Yes</p> <p><input 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 transfer pricing framework provides for the use of a specific method for controlled transactions involving commodities (<i>if so, please explain</i>)</p> <p><input checked="" type="checkbox"/> No</p>	
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
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)
		<p>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 domestic comparable transactions are not available or in the absence of domestic comparable transactions.</p> <p>With reference to Article 13 of the TP Bylaws that explains the comparable regions “The Authority may accept the use of foreign Comparable Transactions by a Taxable Person in the event that domestic Comparable Transactions are not available or absence of domestic Comparable Transactions. In such case, the Taxable Person must be able to demonstrate to the Authority upon its request that the foreign Comparable Transaction, or Transactions are consistent with the requirements set forth in (Chapter Three) of the Bylaws, and shall take into account the expected impact of geographic differences and other factors on the results of the</p>	

		foreign Comparable Transactions, including, without limitation, price and profitability.”	
9	Does your domestic transfer pricing framework permit the use of secret comparables for transfer pricing assessment purposes?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
10	Does your domestic transfer pricing framework allow or require the use of an arm's length range and/or statistical measure (e.g. the interquartile range or other percentiles) for determining arm's length remuneration?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Saudi Transfer Pricing Bylaw Chapter 9 <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.</p>
11	Are comparability adjustments required under your domestic transfer pricing framework?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Saudi Transfer Pricing Guidelines Chapter 4 4.3.4. Sub step 4: Selection of comparable. Saudi Arabia Transfer Pricing Bylaws , Article 5 “Comparable Transactions”.

Intangible Property

12	<p>Does your domestic transfer pricing framework contain guidance specific to the pricing of controlled transactions involving intangibles?</p>	<p><input checked="" type="checkbox"/> Yes. If so, does your domestic transfer pricing framework follow (or largely follow) the guidance in Chapter VI of the TPG?</p> <p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No (please provide further explanations below)</p> <p><input type="checkbox"/> No</p>	<p>Saudi Transfer Pricing Guidelines Chapter 8 “Specific Guidance: Intangibles”</p>
13	<p>Are there any other rules outside your transfer pricing framework that are relevant for the pricing of controlled transactions involving intangibles?</p>	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p>	

Hard-to-Value Intangibles

14	<p>Does your domestic transfer pricing framework contain guidance specific to hard-to-value intangibles (HTVI)?³</p>	<p><input type="checkbox"/> Yes. If so, does your domestic transfer pricing framework follow the guidance on HTVI in Chapter VI of the TPG?</p> <p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No (please provide further explanations below)</p> <p><input checked="" type="checkbox"/> No</p>	
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³ In the case of jurisdictions that do not apply the HTVI approach (i.e. they responded “no” to question 14), it is not necessary to respond to the remaining questions in the HTVI section and these questions will not be published as part of jurisdiction’s transfer pricing country profile.

18	<p>Can taxpayers request a bilateral or multilateral advance pricing agreement (“APA”) for transactions falling within the scope of the HTVI approach under your domestic transfer pricing framework?</p>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<p>As per the updated Saudi Transfer Pricing Bylaw Article 23 “Advanced Pricing Agreement”.</p>
Intra-group Services			
23	<p>Does your domestic transfer pricing framework provide guidance specific to intra-group services transactions?</p>	<input type="checkbox"/> Yes. If so, does your domestic transfer pricing framework follow (or largely follow) the guidance in Chapter VII of the TPG? <input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> No	<p>Saudi transfer pricing domestic legislation does not contain specific guidance on intra-group services transactions. Saudi may rely on the OECD TPG.</p>
24	<p>Does your domestic transfer pricing framework provide for or allow the application of a simplified approach for low value-adding intra-group services?</p>	<input type="checkbox"/> Yes. If so, does it follow (largely follow) the low value-adding services approach in Chapter VII? <input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> No	<p>Saudi follows the OECD TPG including the approach on low value-adding intra-group services.</p>
25	<p>Are there any other rules outside your transfer pricing framework for pricing intragroup services?</p>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	

Financial Transactions

26	<p>Does your domestic transfer pricing framework provide guidance specific to financial transactions?</p>	<p><input checked="" type="checkbox"/> Yes. If so, does your domestic transfer pricing framework follow (or largely follow) the guidance in Chapter X of the TPG?</p> <p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No (please provide further explanations below)</p> <p><input type="checkbox"/> No</p> <p>Saudi Transfer Pricing Guidelines includes specific guidance on this topic on Chapter 7 “Specific Guidance: Financial Transactions”. For the 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>	<p>Saudi Transfer Pricing Guidelines, Chapter 7</p>
27	<p>Are there any other rules outside your transfer pricing framework 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</p> <p><input type="checkbox"/> No</p> <p>The loan charges rules are mentioned in Article 5 (Source of Income) in Saudi Income Tax Bylaw. There is an interest deductibility limitation rule in Article 9 of Saudi Income Tax By-Laws as follows:</p> <p>“Loan Charges (proceeds) 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).</p> <p>“a” = income subject to tax other than income from loan charges.</p> <p>“b” = expenses allowed under the Law other than loan charge expenses.</p> <p>Banks are not subject to this formula.</p>	<p>Saudi Income Tax Law (“Bylaws”), Articles 5 and 9</p>

Cost Contribution Arrangements

28	<p>Does your jurisdiction allow cost contribution arrangements?</p>	<p><input type="checkbox"/> Yes. If so, does your domestic transfer pricing framework follow (or largely follow) the guidance in Chapter VIII of the TPG?</p> <p><input type="checkbox"/> Yes</p>	
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		<input type="checkbox"/> No <input checked="" type="checkbox"/> No		
		Saudi Arabia does not have domestic legislation or regulation on cost contribution agreements and Saudi may rely on the OECD TPG.		

Transfer Pricing Documentation

29	Does your domestic transfer pricing framework require the taxpayer to prepare transfer pricing documentation?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <i>If affirmative, please check all that apply:</i> <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 checked="" type="checkbox"/> Specific transfer pricing returns (separate or annexed to the tax return) <input type="checkbox"/> Other (specify) 	Saudi Transfer Pricing Bylaw Article16, article 17 and article 18 Saudi Transfer Pricing Guidelines - Chapter 5 “Transfer Pricing Documentation”
30	Please briefly explain the relevant requirements related to each transfer pricing documentation requirement (i.e. timing for preparation or submission, languages, etc.)	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. 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. In principle, the Ultimate Parent Entity (UPE) or Surrogate Parent Entity (SPE) should submit the 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	Saudi Transfer Pricing Bylaw Article16, article 17 and article 18 Saudi Transfer Pricing Guidelines - Chapter 5 “Transfer Pricing Documentation” Saudi Transfer Pricing Guidelines Section 5.4 country-by-country reporting

		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.	
31	Does your domestic transfer pricing framework provide for specific transfer pricing penalties and/or compliance incentives regarding transfer pricing documentation?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <p>Saudi Arabia have regular penalties on tax compliance including on CbCr documentation.</p>	
32	Does your domestic transfer pricing framework provide for exemption from transfer pricing documentation obligations?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>Exemption from transfer pricing documentation applies to natural persons (except Institutions), small enterprises 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>	<u>Saudi Transfer Pricing Bylaw</u> Article 19 (“Exemptions”) and section 5.3 of the TP guidelines
Administrative Approaches to Avoiding and Resolving Disputes			
33	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 <input type="checkbox"/> Enhanced engagement or cooperative compliance programmes <input checked="" type="checkbox"/> Advance Pricing Agreements (APA) <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Unilateral APAs <input type="checkbox"/> Bilateral APAs <input type="checkbox"/> Multilateral APAs <input type="checkbox"/> International Compliance Assurance Programme (ICAP) <input checked="" type="checkbox"/> Mutual Agreement Procedures <input type="checkbox"/> Other</p>	<u>Saudi Transfer Pricing Bylaw</u> Article 23 “Advanced Pricing Agreement” <u>Request for Mutual Agreement Procedure</u> <u>Tax Ruling Request Guideline (June 2020)</u> <u>Saudi Arabia OECD MAP Profile</u>

	<p>Starting from January 2024 Advanced Pricing Agreement came into effect under transfer pricing bylaws article 23. Currently Saudi Arabia is only accepting applications for unilateral APAs.</p> <p>Refer to Saudi 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>	
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Simplified and Streamlined Approach for Baseline Marketing and Distribution Activities

34	<p>Does your domestic transfer pricing framework allow the application of the simplified and streamlined approach for baseline marketing and distribution activities in the relevant Annex of Chapter IV of the TPG?⁴</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Other	
		<p>Saudi transfer pricing domestic legislation does not contain specific guidance on Simplified and Streamlined Approach for Baseline Marketing and Distribution Activities transactions. However, it is currently under consideration and Saudi may rely on the OECD TPG.</p>	
37	<p>Does your jurisdiction respect the outcome of the application of the simplified and streamlined approach by a covered jurisdiction in line with the Inclusive Framework political commitment?</p>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<p>Saudi may rely on the OECD TPG.</p>

Safe Harbours and Other Simplification Measures

39	<p>Does your jurisdiction provide for any safe harbours or other simplification measures in respect of certain industries, types of taxpayers, or types of transactions (not listed in other sections of this questionnaire)?</p>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
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⁴ In the case of jurisdictions that do not apply the simplified and streamlined approach (i.e. they responded “no” to question 34), it is not necessary to respond to questions 35, 36 and 38 and these questions will not be published as part of jurisdiction’s transfer pricing country profile.

		Saudi may rely on the OECD TPG.	
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Other Legislative Aspects or Administrative Procedures

40	Does your domestic transfer pricing framework allow downward corresponding adjustments in the absence of a mutual agreement procedure (e.g. unilateral corresponding adjustments)?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	KSA will only allow a downward corresponding adjustment if there is a DTA in place.
41	Does your domestic transfer pricing framework allow or require taxpayers to make year-end adjustments?	<input type="checkbox"/> Yes. Year-end adjustments are required. <input checked="" type="checkbox"/> Yes. Year-end adjustments are allowed. <input type="checkbox"/> No	

42	Does your domestic transfer pricing framework provide for secondary adjustments?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
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Attribution of Profits to Permanent Establishments

43	Which version of Article 7 of the OECD Model Tax Convention on	<input checked="" type="checkbox"/> Article 7 as it read before 2010. <input type="checkbox"/> If so, please indicate in how many treaties:	
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	<p>Income and on Capital do your tax treaties contain?</p> <p><input type="checkbox"/> Article 7 as it reads after 2010.</p> <p><input type="checkbox"/> If so, please indicate in how many treaties:</p> <p><input checked="" type="checkbox"/> Other</p>	
	<p>Most of Saudi tax treaties uses the pre-2010 OECD MTC, however, in around 16 treaties, the United Nations' Force of Attraction approach is used.</p>	
44	<p>For tax treaties containing Article 7 as it read before 2010, does your jurisdiction apply the authorized OECD approach (AOA)?</p> <p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p>	
45	<p>Does your domestic transfer pricing framework contain specific guidance for the attribution of profits to permanent establishments of non-resident entities? If so, please provide a summary of the main features of this guidance.</p> <p><input type="checkbox"/> Yes, they follow the AOA as described in the 2008 Report on the Attribution of Profits to Permanent Establishments</p> <p><input type="checkbox"/> Yes, they follow the AOA as described in the 2010 Report on the Attribution of Profits to Permanent Establishments</p> <p><input checked="" type="checkbox"/> Yes, they do not follow the AOA (please provide a summary of the main features of these rules)</p> <p><input type="checkbox"/> No</p>	<p>Income Tax Law Articles 5 (10)</p>
Other Relevant Information		
46	<p>Other legislative aspects or administrative procedures regarding transfer pricing</p>	N/A

47	Other relevant information (e.g. <i>whether your jurisdiction is preparing new transfer pricing regulations, or other relevant aspects not addressed in this questionnaire</i>)	N/A	
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For more information, please visit: <https://www.oecd.org/en/topics/sub-issues/transfer-pricing/transfer-pricing-country-profiles.html>