

Tax alert | Calculating *zakat* liabilities for transporters

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The Saudi General Authority of *Zakat* & Tax (GAZT) has released a guide to assist transport and storage businesses with calculating *zakat* liabilities. *Zakat* payers can calculate their *zakat* base by adding internal and external source of funds (*zakatable* assets) and subtracting fixed assets, accumulated losses and long-term investments (*non-zakatable* assets). *Zakat* - at 2.5% - is payable on whichever is higher: the *zakat* base calculated over 354 days (the length of the *hijri* year) or tax-adjusted profits.

What are transport and storage activities?

- Passenger or freight transport – by land, air or sea
- Renting transport equipment with a driver or operator
- Warehousing, postal or courier services

What are the most common non-*zakatable* assets?

Deductions from the *zakat* base include:

- Spare parts used to maintain transport or storage equipment not intended for sale
- Trailers, locomotives, aircraft or ships
- Refrigeration units, tankers and other storage equipment

What are the most common *zakatable* assets?

Additions to the *zakat* base include:

- Progress payments paid to contractors or sub-contractors for transport or storage services
- Revenue recognised using the percentage of completion method but not invoiced
- Loans received against transportation assets held as collateral

What questions should transport and storage decision makers ask themselves?

- Are separate records being kept for spare parts used for equipment maintenance and parts that are intended for sale?
- Are received progress payments held for more than a *hijri* year?
- Does the value of non-*zakatable* assets include the cost of general repairs?

How can Keypoint help?

Our tax team works with a range of businesses in Saudi Arabia with extensive transport and storage interests. Our sector knowledge, combined with our *zakat* expertise, makes us trusted advisors on a range of *zakat* and transport and storage issues.

Disclaimer: This tax alert is based on our interpretation of the guidelines issued by the General Authority of *Zakat* & Tax (GAZT) and is for general information. Seek professional advice in relation to your particular circumstances.