

Saudi Arabia

This report analyses the implementation of the AEOI Standard in Saudi Arabia with respect to the requirements of the AEOI Terms of Reference. It assesses both the legal frameworks put in place to implement the AEOI Standard and the effectiveness of the implementation of the AEOI Standard in practice.

The methodology used for the peer reviews and that therefore underpins this report is outlined in Chapter 2.

Overall findings

AEOI legal framework

Saudi Arabia's legal framework implementing the AEOI Standard is in place and is consistent with the requirements of the AEOI Terms of Reference. This includes Saudi Arabia's domestic legislative framework requiring Reporting Financial Institutions to conduct the due diligence and reporting procedures (CR1) and its international legal framework to exchange the information with all of Saudi Arabia's Interested Appropriate Partners (CR2).

Overall determination on the legal framework: In Place

Effectiveness of AEOI in practice

Saudi Arabia's implementation of the AEOI Standard is on track with respect to the requirements of the AEOI Terms of Reference to ensure the effectiveness of the AEOI Standard in practice. This includes ensuring Reporting Financial Institutions correctly conduct the due diligence and reporting procedures (CR1) and exchanging the information in an effective and timely manner (CR2). Saudi Arabia is encouraged to continue its implementation process accordingly, to ensure its ongoing effectiveness.

Overall rating in relation to the effectiveness in practice: On Track
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General context

Saudi Arabia commenced exchanges under the AEOI Standard in 2018.

In order to provide for Reporting Financial Institutions to collect and report the information to be exchanged, Saudi Arabia enacted:

- the Decision of the Council of Ministers No. (705) Approving the joining of the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information, and the Annex of the Common Standard on Reporting and Due Diligence for Financial Account Information (the Agreement and the Common Standard);
- the Royal Decree No. M/125 ratifying the joining of the Agreement and the Common Standard;
- the Decision of the Council of Ministers No. (706) Approving of the Special Regulations for Addressing Failures to Report Information for Tax Purposes in Accordance with the Provisions of Conventions to which the Kingdom of Saudi Arabia is a Party (the Enforcement Regulations);
- the Decision of the Council of Ministers No. (108) Approving the application of the provisions of the Special Regulations on the Agreement and the Common Standard; and

- the Ministerial Decision No. (893) Approving the Administrative Rules and Procedures for the Implementation of the Agreement and the Common Standard (The Implementation Rules), amended by Ministerial Decision No. (4483).

Under this framework Reporting Financial Institutions were required to commence the due diligence procedures in relation to New Accounts from 8 September 2017. With respect to Preexisting Accounts, Reporting Financial Institutions were required to complete the due diligence procedures on High Value Individual Accounts by 28 February 2018 and on Lower Value Individual Accounts and Entity Accounts by 31 December 2018.

Following the initial Global Forum peer review, Saudi Arabia amended its legislative framework to address issues identified, effective from 27 June 2020.

With respect to the exchange of information under the AEOI Standard, Saudi Arabia is a Party to the Convention on Mutual Administrative Assistance in Tax Matters and activated the associated CRS Multilateral Competent Authority Agreement in time for exchanges in 2018.

Table 1 sets out the number of Financial Institutions in Saudi Arabia that reported information on Financial Accounts in 2021 as defined in the AEOI Standard (essentially because they maintained Financial Accounts for Account Holders, or that were related to Controlling Persons, resident in a Reportable Jurisdiction). It also sets out the number of Financial Accounts that they reported in 2021. In this regard, it should be noted that Saudi Arabia requires the reporting of Financial Accounts held by all non-residents and some accounts may be required to be reported more than once (e.g. jointly held accounts or accounts with multiple related Controlling Persons), which is reflected in the figures below. These figures provide key contextual information to the development and implementation of Saudi Arabia's administrative compliance strategy, which is analysed in the subsequent sections of this report.

Table 1. Number of Financial Institutions reporting and Financial Accounts reported

	Number
Financial Institutions reporting Financial Accounts in 2021	64
Financial Accounts reported in 2021	490 343

Table 2 sets out the number of exchange partners to which information was successfully sent by Saudi Arabia in the past few years (including where the necessary frameworks were in place, containing an obligation on Reporting Financial Institutions to report information, but no relevant Reportable Accounts were identified). These figures provide key contextual information in relation to Saudi Arabia's exchanges in practice, which is also analysed in subsequent sections of this report.

Table 2. Number of exchange partners to which information was successfully sent

	2018	2019	2020	2021
Number of exchange partners to which information was successfully sent	56	65	68	74

In order to provide for the effective implementation of the AEOI Standard, in Saudi Arabia:

- the Zakat, Tax and Customs Authority (the tax authority) has the responsibility to ensure the effective implementation of the due diligence and reporting obligations by Reporting Financial Institutions and for exchanging the information with Saudi Arabia's exchange partners;
- technical solutions necessary to receive and validate the information reported by Reporting Financial Institutions were put in place through submission of XML files through an online portal; and

- the Common Transmission System (CTS) is used for the exchange of the information, along with the associated file preparation and encryption requirements.

It should be noted that the review of Saudi Arabia's legal frameworks implementing the AEOI Standard concluded with the determination that Saudi Arabia's domestic and international legal frameworks are In Place. This has been taken into account when reviewing the effectiveness of Saudi Arabia's implementation of the AEOI Standard in practice.

Findings and conclusions on the legal frameworks

The detailed findings and conclusions on the AEOI legal frameworks for Saudi Arabia are below, organised per Core Requirement (CR) and sub-requirement (SR), as extracted from the AEOI Terms of Reference (see Annex C).

CR1 Domestic legal framework: Jurisdictions should have a domestic legislative framework in place that requires all Reporting Financial Institutions to conduct the due diligence and reporting procedures in the CRS, and that provides for the effective implementation of the CRS as set out therein.

Determination: In Place

Saudi Arabia's domestic legislative framework is in place and contains all of the key aspects of the CRS and its Commentary requiring Reporting Financial Institutions to conduct the due diligence and reporting procedures (SRs 1.1 – 1.3). It also provides for a framework to enforce the requirements (SR 1.4).

SR 1.1 Jurisdictions should define the scope of Reporting Financial Institutions consistently with the CRS.

Findings:

Saudi Arabia has defined the scope of Reporting Financial Institutions in its domestic legislative framework in accordance with the CRS and its Commentary.

Recommendations:

No recommendations made.

SR 1.2 Jurisdictions should define the scope of Financial Accounts and Reportable Accounts consistently with the CRS and incorporate the due diligence procedures to identify them.

Findings:

Saudi Arabia has defined the scope of the Financial Accounts that are required to be reported in its domestic legislative framework and incorporated the due diligence procedures that must be applied to identify them in accordance with the CRS and its Commentary.

Recommendations:

No recommendations made.

SR 1.3 Jurisdictions should incorporate the reporting requirements contained in Section I of the CRS into their domestic legislative framework.

Findings:

Saudi Arabia has incorporated the reporting requirements in its domestic legislative framework in accordance with the CRS and its Commentary.

Recommendations:

No recommendations made.

SR 1.4 Jurisdictions should have a legislative framework in place that allows for the enforcement of the requirements of the CRS in practice.

Findings:

Saudi Arabia has a legislative framework in place to enforce the requirements in accordance with the CRS and its Commentary.

Recommendations:

No recommendations made.

CR2 International legal framework: Jurisdictions should have exchange relationships in effect with all Interested Appropriate Partners as committed to and that provide for the exchange of information in accordance with the Model CAA.

Determination: In Place

Saudi Arabia's international legal framework to exchange the information is in place, is consistent with the Model CAA and its Commentary and provides for exchange with all of Saudi Arabia's Interested Appropriate Partners (i.e. all jurisdictions that are interested in receiving information from Saudi Arabia and that meet the required standard in relation to confidentiality and data safeguards) (SRs 2.1 – 2.3).

SR 2.1 Jurisdictions should have exchange agreements in effect with all Interested Appropriate Partners that permit the automatic exchange of CRS information.

Findings:

Saudi Arabia has exchange agreements that permit the automatic exchange of CRS information in effect with all its Interested Appropriate Partners.

Recommendations:

No recommendations made.

SR 2.2 Such an exchange agreement should be put in place without undue delay, following the receipt of an expression of interest from an Interested Appropriate Partner.

Findings:

Saudi Arabia put in place its exchange agreements without undue delay.

Recommendations:

No recommendations made.

SR 2.3 Jurisdictions should ensure that the exchange agreements in effect provide for the exchange of information in accordance with the requirements of the Model CAA.

Findings:

Saudi Arabia's exchange agreements provide for the exchange of information in accordance with the requirements of the Model CAA.

Recommendations:

No recommendations made.

Assessed jurisdiction's comments on the assessment of its legal frameworks

No comments made.

Findings and conclusions in relation to effectiveness in practice

The detailed findings and conclusions in relation to effectiveness in practice of AEOI for Saudi Arabia are below, organised per Core Requirement (CR) and then per sub-requirement (SR) as extracted from the AEOI Terms of Reference (see Annex C).

CR1 Effectiveness in practice: Jurisdictions should ensure that in practice Reporting Financial Institutions correctly implement the due diligence and reporting procedures, which includes a requirement for jurisdictions to have in place an administrative framework to ensure the effective implementation of the CRS.

Rating: On Track

Saudi Arabia's implementation of the AEOI Standard is on track with respect to ensuring that Reporting Financial Institutions are correctly conducting the due diligence and reporting procedures and are therefore reporting complete and accurate information. This includes ensuring effectiveness in a domestic context, such as through having an effective administrative compliance framework and related procedures (SR 1.5), and collaborating with exchange partners to ensure effectiveness (SR 1.6). Saudi Arabia is encouraged to continue its implementation process to ensure its ongoing effectiveness.

SR 1.5 Jurisdictions should ensure that in practice Reporting Financial Institutions identify the Financial Accounts they maintain, identify the Reportable Accounts among those Financial Accounts, as well as their Account Holders, and where relevant Controlling Persons, by correctly conducting the due diligence procedures and collect and report the required information with respect to each Reportable Account. This includes having in place:

- a) an effective administrative compliance framework to ensure the effective implementation of, and compliance with, the CRS. This framework should:
 - i. be based on a strategy that facilitates compliance by Reporting Financial Institutions and which is informed by a risk assessment in respect of the effective implementation of the CRS that takes into account relevant information sources (including third party sources);
 - ii. include procedures to ensure that Financial Institutions correctly apply the definitions of Reporting Financial Institutions and Non-Reporting Financial Institutions;
 - iii. include procedures to periodically verify Reporting Financial Institutions' compliance, conducted by authorities that have adequate powers with respect to the reviewed Reporting Financial Institutions, with procedures to access the records they maintain; and
- b) effective procedures to ensure that Financial Institutions, persons or intermediaries do not circumvent the due diligence and reporting procedures;
- c) effective enforcement mechanisms to address non-compliance by Reporting Financial Institutions;
- d) strong measures to ensure that valid self-certifications are always obtained for New Accounts;
- e) effective procedures to ensure that each, or each type of, jurisdiction-specific Non-Reporting Financial Institution and Excluded Account continue to present a low risk of being used to evade tax; and
- f) effective procedures to follow up with a Reporting Financial Institution when undocumented accounts are reported in order to establish the reasons why such information is being reported.

Findings:

In order to ensure that Reporting Financial Institutions correctly conduct the due diligence and reporting procedures, Saudi Arabia implemented all of the requirements in accordance with expectations. The key findings were as follows:

- Saudi Arabia implemented an overarching strategy to ensure compliance with the AEOI Standard. The strategy is based on a risk assessment that takes into account a range of relevant information sources, such as information reported by the Reporting Financial Institutions, previous compliance history in several areas and the characteristics and context of Saudi Arabia's financial sector. Saudi Arabia has carried out education and communication activities, such as running workshops for Financial Institutions, publishing guidance and putting in place dedicated email and hotline facilities. Saudi Arabia intends to keep its compliance strategy and risk assessment under review to ensure its effectiveness on an ongoing basis.
- Saudi Arabia has worked effectively to understand its population of Financial Institutions, including relevant non-regulated entities, utilising various relevant information sources, such as domestic lists of regulated entities, tax information, intelligence gathered by regulators and the Ministry of Commerce and the Foreign Financial list for FATCA purposes. Saudi Arabia is taking action to ensure that Reporting Financial Institutions are classifying themselves correctly under its domestic rules and are reporting information as required. Saudi Arabia intends to keep its understanding of its Financial Institution population up to date on a routine basis.
- The institution responsible for implementing Saudi Arabia's compliance strategy appears to have the necessary powers and resources to discharge its functions and has put in place Memorandums of Understanding with other regulatory authorities to facilitate ongoing cooperation. With respect to resourcing, Saudi Arabia has assigned the equivalent of four full time staff to monitor and ensure compliance by Reporting Financial Institutions and staff from tax auditors and risk analysts also support the compliance activities related to the AEOI Standard if needed. These staff have access to IT systems and tools to conduct risk assessments.
- It appears that Saudi Arabia has the powers and procedures to effectively enforce the requirements, including through the inspection of records of Reporting Financial Institutions and the application of dissuasive penalties and sanctions for non-compliance, although sanctions have not yet been applied. Desk-based reviews have been carried out on a large proportion of Reporting Financial Institutions through the use of questionnaires. Saudi Arabia has carried out a significant number of onsite inspections in following up on a proportion of these questionnaires, and the inspections included verification of self-certifications, review of account records and checking the policies and procedures that are in place. Saudi Arabia has also followed up with Reporting Financial Institutions that have reported undocumented accounts and has also complemented its guidance with regards to this element. Saudi Arabia appears ready to take effective action to address circumvention of the requirements if such circumvention is detected.
- It is noted that Saudi Arabia does not have a jurisdiction-specific list of Non-Reporting Financial Institutions or Excluded Accounts for ongoing monitoring.

Table 3 provides a summary of the specific activities undertaken, or that are planned to be undertaken, in relation to each of the key parts of the framework described above.

Table 3. Activities undertaken

Activity type	Activities undertaken
Communication and outreach	Saudi Arabia has carried out substantial communication and outreach activities, such as workshops, issuing guidance and providing contact channels for assistance.

Activity type	Activities undertaken
Verifying that Financial Institutions are reporting as required	Saudi Arabia has carried out some verification activities to ensure that Financial Institutions are reporting as required through using lists maintained by other regulatory authorities, using questionnaires sent to known and potential Reporting Financial Institutions as well as through direct verification activities. It has identified no Financial Institutions incorrectly not reporting.
Verifying whether the information reported is complete and accurate	Saudi Arabia has conducted a significant number of desk-based checks to verify whether the information being reported is complete and accurate. Furthermore, Saudi Arabia has also conducted a significant number of onsite audits that include inspection of records. It accordingly identified issues with some accounts for which information was reported incorrectly. It is following up on these issues with a view to ensuring future compliance.
Enforcement	Following the activities mentioned above, Saudi Arabia has not yet imposed penalties or sanctions, but has the procedures in place to do so in the near future.

In terms of the Financial Account information collected and sent by Saudi Arabia, the presence of Tax Identification Numbers appeared to be in line with most other jurisdictions. While the collection and reporting of dates of birth is generally higher across jurisdictions, Saudi Arabia nevertheless reported a much lower rate of collection of dates of birth when compared to other jurisdictions. This is a key data point for exchange partners to effectively utilise the information. Information provided by Saudi Arabia also showed a higher number of undocumented accounts reported by its Reporting Financial Institutions, when compared to other jurisdictions, which should only occur when it is not possible for the Reporting Financial Institutions to identify whether the accounts are held by Reportable Persons. Follow-up discussions confirmed that Saudi Arabia is aware of these issues and is taking steps to address them.

Feedback from Saudi Arabia's exchange partners indicated that, compared to what they generally experience when seeking to match information received from their exchange partners with their taxpayer database, they achieved a much lower level of success when seeking to match information received from Saudi Arabia. Furthermore, nine exchange partners highlighted issues with respect to the information received, such as relatively lower rates of valid Tax Identification Numbers. Follow-up discussions confirmed that Saudi Arabia is aware of these issues, is engaging with its partners and is implementing strategies to improve the situation, in particular engaging with Financial Institutions to improve the collection of Tax Identification Numbers.

Based on these findings it was concluded that, overall, Saudi Arabia is meeting expectations in ensuring that Reporting Financial Institutions correctly conduct the due diligence and reporting procedures, including by having in place the required administrative compliance framework and related procedures. It was also noted that there is room for improvement with respect to addressing the issues raised by exchange partners. Saudi Arabia is therefore encouraged to continue its implementation process accordingly, including by addressing the recommendation made.

Recommendations:

Saudi Arabia should continue to address the issues raised by its exchange partners.

SR 1.6 Jurisdictions should collaborate on compliance and enforcement. This requires jurisdictions to:

- a) use all appropriate measures available under the jurisdiction's domestic law to address errors or non-compliance notified to the jurisdiction by an exchange partner; and
- b) have in place effective procedures to notify an exchange partner of errors that may have led to incomplete or incorrect information reporting or non-compliance with the due diligence or reporting procedures by a Reporting Financial Institution in the jurisdiction of the exchange partner.

Findings:

In order to collaborate on compliance and enforcement, it appears that Saudi Arabia implemented all of the requirements in relation to issues notified to them (i.e. under Section 4 of the MCAA or equivalent) in accordance with expectations. While no such notifications have yet been received, Saudi Arabia has the necessary systems and procedures to process them as required. It also appears that Saudi Arabia will notify its partners effectively of errors or suspected non-compliance it identifies when utilising the information received.

Based on these findings it was concluded that Saudi Arabia is fully meeting expectations in relation to collaborating with its exchange partners to ensure that Reporting Financial Institutions correctly conduct the due diligence and reporting procedures. Saudi Arabia is encouraged to continue its implementation process accordingly, to ensure its ongoing effectiveness.

Recommendations:

No recommendations made.

CR2 Effectiveness in practice: Jurisdictions should exchange the information effectively in practice, in a timely manner, including by sorting, preparing, validating and transmitting it in accordance with the AEOI Standard.

Rating: On Track

Saudi Arabia's implementation of the AEOI Standard is on track with respect to exchanging the information effectively in practice, including in relation to sorting, preparing and validating the information (SR 2.4), correctly transmitting the information in a timely manner (SRs 2.5 – 2.8) and providing corrections, amendments or additions to the information (SR 2.9). Saudi Arabia is encouraged to continue its implementation process accordingly, to ensure its ongoing effectiveness.

SR 2.4 Jurisdictions should sort, prepare and validate the information in accordance with the CRS XML Schema and the associated requirements in the CRS XML Schema User Guide and the File Error and Correction-related validations in the Status Message User Guide (i.e. the 50000 and 80000 range).

Findings:

Feedback from Saudi Arabia's exchange partners did not raise any particular concerns with respect to their ability to process the information received from Saudi Arabia and therefore with respect to Saudi Arabia's implementation of these requirements. More generally, none of Saudi Arabia's exchange partners reported rejecting more than 25% of files received, due to the technical requirements not being met.

Based on these findings it was concluded that Saudi Arabia is fully meeting expectations in relation to sorting, preparing and validating the information. Saudi Arabia is encouraged to continue its implementation process accordingly, to ensure its ongoing effectiveness.

Recommendations:

No recommendations made.

SR 2.5 Jurisdictions should agree and use, with each exchange partner, transmission methods that meet appropriate minimum standards to ensure the confidentiality and integrity of the data throughout the transmission, including its encryption to a minimum secure standard.

Findings:

In order to put in place an agreed transmission method that meets appropriate minimum standards in confidentiality, integrity of the data and encryption for use with each of its exchange partners, Saudi Arabia linked to the CTS.

Based on these findings it was concluded that Saudi Arabia is fully meeting expectations in relation to agreeing and using appropriate transmission methods with each of its partners. Saudi Arabia is encouraged to continue to ensure the ongoing effectiveness of its implementation.

Recommendations:

No recommendations made.

SR 2.6 Jurisdictions should carry out all exchanges annually within nine months of the end of the calendar year to which the information relates.

Findings:

One exchange partner highlighted delays in the sending of information by Saudi Arabia. It was noted that Saudi Arabia successfully addressed the issue and sent the information as soon as possible thereafter.

Based on these findings it was concluded that Saudi Arabia is fully meeting expectations in relation to exchanging the information in a timely manner. Saudi Arabia is encouraged to continue to ensure the ongoing effectiveness of its implementation.

Recommendations:

No recommendations made.

SR 2.7 Jurisdictions should send the information in accordance with the agreed transmission methods and encryption standards.

Findings:

Feedback from Saudi Arabia's exchange partners did not raise any concerns with respect to Saudi Arabia's use of the agreed transmission methods and therefore with Saudi Arabia's implementation of this requirement.

Based on these findings it was concluded that Saudi Arabia is fully meeting expectations in relation to sending the information in accordance with the agreed transmission methods and encryption standards. Saudi Arabia is encouraged to continue to ensure the ongoing effectiveness of its implementation.

Recommendations:

No recommendations made.

SR 2.8 Jurisdictions should have the systems in place to receive information and, once it has been received, should send a status message to the sending jurisdictions in accordance with the CRS Status Message XML Schema and the related User Guide.

Findings:

Two exchange partners highlighted delays in the sending of status messages by Saudi Arabia, representing 2% of its partners. It was noted that, in one case, Saudi Arabia has engaged with the partner and appears to be successfully addressing the issue and in the other case, the delay was caused by the upgrade in the XML.

Based on these findings it was concluded that, overall, Saudi Arabia is meeting expectations in relation to the receipt of the information. It was also noted that there is room for improvement with respect to the sending of CRS Status Messages to all exchange partners in a timely manner. Saudi Arabia is encouraged to continue to ensure the ongoing effectiveness of its implementation, including by addressing the recommendation made.

Recommendations:

Saudi Arabia should continue to engage with its partners to address the issues raised.

SR 2.9 Jurisdictions should respond to a notification from an exchange partner as referred to in Section 4 of the Model CAA (which may include Status Messages) in accordance with the timelines set out in the Commentary to Section 4 of the Model CAA. In all other cases, jurisdictions should send corrected, amended or additional information received from a Reporting Financial Institution as soon as possible after it has been received.

Findings:

Saudi Arabia appears ready to respond to notifications and to provide corrected, amended or additional information in a timely manner and no such concerns were raised by Saudi Arabia's exchange partners and therefore with respect to Saudi Arabia's implementation of these requirements.

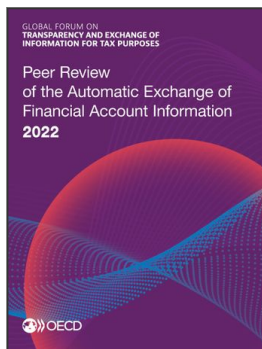
Based on these findings it was concluded that Saudi Arabia appears to be meeting expectations in relation to responding to notifications from exchange partners and the sending of corrected, amended or additional information. Saudi Arabia is encouraged to continue to ensure the ongoing effectiveness of its implementation.

Recommendations:

No recommendations made.

Assessed jurisdiction's comments on the assessment of effectiveness in practice

No comments made.



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