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Regional headquarters in Saudi Arabia: ZATCA updates its tax and zakat guideline

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ZATCA issued the second version of its Guideline for Regional Headquarters in May 2026. The 30-year incentive stays: 0% income tax on qualifying income and 0% withholding tax on certain payments.

Country reference

- Country: Saudi Arabia (Wave 1 expansion country)
- Authorities: Zakat, Tax and Customs Authority (ZATCA); Ministry of Investment (MISA)
- Topic: Tax, zakat, VAT and RETT treatment of regional headquarters (RHQ)
- Key date: Second version of the guideline, May 2026
- Law: Income Tax Law; Zakat Collection Implementing Regulations; VAT Law; RETT rules

What ZATCA updated

The second version clarifies existing rules and reflects recent amendments to the VAT Implementing Regulations, the Zakat Collection Implementing Regulations and the RETT rules. It brings no new incentives, according to adviser commentary, and aligns with MISA's draft RHQ licensing rules.

Key rules

- Income tax: 0% on qualifying income for 30 years, if the RHQ meets the qualification and economic substance conditions.
- Withholding tax: 0% on certain qualifying payments made by the RHQ.
- Non-qualifying income: taxed under the normal rules, at 20% for the share owned by non-Saudi, non-GCC persons.
- Zakat: may apply to the share held by Saudi and GCC shareholders at 2.5% of the zakat base, with returns due within 120 days of the year end.
- VAT grouping: an RHQ may join a VAT group with Saudi-resident related entities linked by at least 50% ownership, control or voting rights.
- RETT: property transfers stay subject to 5%.

What to do now

- Map every income stream between qualifying and non-qualifying activity.
- Document substance: staff, decision-making and premises in the Kingdom.
- Check whether a VAT group with local affiliates simplifies invoicing.
- Diarise the 120-day filing deadline even where tax due is nil.

Our take

The incentive is generous, but it is not automatic. ZATCA expects real activity and clean separation of income. Groups with an RHQ licence should test their structure against the new guideline now, not at the first audit.

Sources

- ZATCA: Guideline for Regional Headquarters in KSA, second version (May 2026)
- EY: Saudi Arabia updates tax and zakat guidelines for Regional Headquarters (23 July 2026)

Important. This summary is for general information and is not tax, legal or financial advice. It is based on public ZATCA publications, together with adviser commentary, and may be incomplete or out of date. The official legislation and guidance prevail; check the official text before acting.

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