

IFRS APPLICATION AROUND THE WORLD

JURISDICTIONAL PROFILE: **Saudi Arabia**



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This Profile provides information about the application of IFRS Standards in Saudi Arabia. IFRS Standards are developed and issued in the public interest by the International Accounting Standards Board (the Board). The Board is the standard-setting body of the IFRS® Foundation, an independent, private sector, not-for-profit organisation.

This Profile has been prepared by the IFRS Foundation based on information from various sources. The starting point was the answers provided by standard-setting and other relevant bodies in response to a survey that the Foundation conducted on the application of IFRS Standards around the world between August and December 2012. The Foundation drafted the profile and invited the respondents to the survey and others (including regulators and international audit firms) to review the drafts, and their comments are reflected.

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RELEVANT JURISDICTIONAL AUTHORITY

Organisation	Saudi Organization for Certified Public Accountants (SOCPA)
Role of the organisation	SOCPA is a professional organisation established under Royal Decree No. M12 in 1991. It operates under the supervision of the Ministry of Commerce to promote the accounting and auditing profession and all matters that might lead to the development of the profession and upgrading its status. A 13-member Board manages SOCPA affairs, which includes review, development and approval of accounting and auditing standards.
Website	http://www.socpa.org.sa/Socpa/Home.aspx
Email contact	info@socpa.org.sa and asifiqbal@socpa.org.sa

COMMITMENT TO GLOBAL FINANCIAL REPORTING STANDARDS

Has the jurisdiction made a public commitment in support of moving towards a single set of high quality global accounting standards?	Yes.
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Has the jurisdiction made a public commitment towards IFRS Standards as that single set of high quality global accounting standards?	Yes.
What is the jurisdiction's status of adoption?	<p>IFRS Standards are required for all banks, insurance companies, and listed companies, as follows:</p> <ul style="list-style-type: none"> • The Saudi Arabian Monetary Authority (SAMA, which is the Saudi Arabian central bank) requires banks and insurance companies in Saudi Arabia to report under IFRS Standards. • SOCPA standards apply to all other companies, listed and unlisted. Effective 2017 for all listed entities, and effective 2018 for all other publicly accountable entities, SOCPA requires the application of 'IFRS Standards that are endorsed in Saudi Arabia and other standards and pronouncements endorsed by SOCPA'. The 'endorsed' standards are IFRS Standards as issued by the Board in addition to the requirements and disclosures added to some standards by SOCPA. The 'other standards and pronouncements' are those standards and technical releases that are endorsed by SOCPA for matters not covered by IFRS Standards such as the subject of Zakat (religious tax/obligation). SOCPA has adopted all IFRS Standards issued through 31 December 2015 (including Interpretations).
Additional comments provided on the adoption status?	<p>In 2016, SOCPA completed a review of all IFRS Standards (including Interpretations) based on the IFRS 2017 Red Book. As a result of the review, SOCPA adopted all of the IFRS Standards without amending any requirements in those Standards. SOCPA did add disclosure requirements to several standards, mainly to reflect Sharia or local law. SOCPA has also endorsed the recent IFRS Standards including IFRS 9, IFRS 15 and IFRS 16, encouraging early adoption.</p> <p>On 16 October 2016, the Capital Market Authority (CMA) decided that the options to use the revaluation model for property, plant, and equipment and intangible assets in IAS 16 and IAS 38 and the option to use the fair value model for investment property in IAS 40 will not be available for the first three years post transition (2017 to 2019) for listed companies. Upon completion of the aforementioned period, the CMA will study whether to continue to require the cost model or whether to allow the application of the fair value/revaluation models.</p> <p>The plan for SOCPA's review of IFRS Standards may be found on SOCPA's website.</p> <p>The IFRS Transition Plan is part of a project called 'SOCPA Project for Transition to International Accounting & Auditing Standards'. SOCPA started the project in 2012 and completed it in 2016. SOCPA's stated goal for the project was to make a transition towards IFRS Standards after assuring their suitability to the Saudi environment through SOCPA's independent standard-setting process.</p> <p>SOCPA's process for endorsing IFRS Standards is described below in the section on IFRS Endorsement.</p>
If the jurisdiction has NOT made a public statement supporting the move towards a single set of accounting standards and/or towards IFRS Standards as that set of standards, explain the jurisdiction's general position towards the adoption of IFRS Standards in the jurisdiction.	Not applicable.

EXTENT OF IFRS APPLICATION

For DOMESTIC companies whose debt or equity securities trade in a public market in the jurisdiction:

Are all or some domestic companies whose securities trade in a public market either required or permitted to use IFRS Standards in their consolidated financial statements? Yes, for all banks and insurance companies. For listed companies, the use of IFRS Standards starts in 2017. For all other publicly accountable entities, the use of IFRS Standards will start in 2018.

If YES, are IFRS Standards REQUIRED or PERMITTED? Required.

Does that apply to ALL domestic companies whose securities trade in a public market, or only SOME? If some, which ones? The Saudi Arabian Monetary Authority (SAMA) requires all banks and insurance companies to use IFRS Standards. Starting in 2017 SOCPA requires all other listed entities to use IFRS Standards that are endorsed by SOCPA. Starting in 2018 SOCPA requires all other publicly accountable entities to use IFRS Standards that are endorsed by SOCPA.

Are IFRS Standards also required or permitted for more than the consolidated financial statements of companies whose securities trade in a public market? Yes. SAMA requires all banks and insurance companies to use IFRS Standards whether or not they are listed. Unlisted companies are permitted to use IFRS Standards as endorsed by SOCPA starting in 2017. Publicly accountable entities other than listed companies, banks, and insurance companies must use IFRS Standards as endorsed by SOCPA starting in 2018.

For instance, are IFRS Standards required or permitted in separate company financial statements of companies whose securities trade in a public market? Required. The separate company financial statements of publicly traded companies, if prepared, will use IFRS Standards, but those financial statements are not available to the public.

For instance, are IFRS Standards required or permitted for companies whose securities do not trade in a public market? All publicly accountable entities whether listed or unlisted will follow IFRS Standards that are endorsed in Saudi Arabia.

If the jurisdiction currently does NOT require or permit the use of IFRS Standards for domestic companies whose securities trade in a public market, are there any plans to permit or require IFRS Standards for such companies in the future? Not applicable.

For FOREIGN companies whose debt or equity securities trade in a public market in the jurisdiction:

Are all or some foreign companies whose securities trade in a public market either REQUIRED or PERMITTED to use IFRS Standards in their consolidated financial statements? There are no foreign companies whose shares are publicly traded in Saudi Arabia.

If YES, are IFRS Standards REQUIRED or PERMITTED in such cases? Not applicable.

Does that apply to ALL foreign companies whose securities trade in a public market, or only SOME? If some, which ones? Not applicable.

IFRS ENDORSEMENT

Which IFRS Standards are required or permitted for domestic companies?	<p>IFRS Standards as issued by the Board are currently required for all banks and insurance companies. Starting in 2017, SOCPA requires all other listed entities to use IFRS Standards as endorsed by SOCPA. Starting in 2018, SOCPA requires other publicly accountable entities to apply IFRS as endorsed by SOCPA as of the start of 2018. All other entities will apply the <i>IFRS for SMEs</i> Standard as of the start of 2018.</p> <p>In endorsing IFRS Standards, SOCPA has added several disclosures and the Capital Market Authority eliminated several accounting policy options relating to (a) revaluation of property, plant and equipment and intangible assets and (b) the fair value model for investment property – see the Commitment to Global Financial Reporting Standards section of this profile.</p>
The auditor's report and/or the basis of presentation footnotes states that financial statements have been prepared in conformity with:	<p>In the case of banks: In conformity with IFRS Standards and Accounting Standards for Financial Institutions issued by the Saudi Arabian Monetary Agency, the provisions of the Regulations for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's By-Laws.</p> <p>In the case of Insurance companies: In conformity with IFRS Standards and Regulations for Companies and the entity's Articles of Association.</p> <p>In the case of listed companies other than banks and insurance companies: In conformity with IFRS Standards that are endorsed in Saudi Arabia and other standards and pronouncements endorsed by SOCPA.</p>
Does the auditor's report and/or the basis of preparation footnote allow for 'dual reporting' (conformity with both IFRS Standards and the jurisdiction's GAAP)?	No.
Are IFRS Standards incorporated into law or regulations?	In the case of banks and insurance companies, yes (regulations of SAMA). No for other companies.
If yes, how does that process work?	In the case of banks and insurance companies, IFRS Standards have been adopted by SAMA regulations.
If no, how do IFRS Standards become a requirement in the jurisdiction?	SOCPA was established under Royal Decree No. M12 in 1991. It operates under the supervision of the Ministry of Commerce. Its responsibilities include development and approval of accounting and auditing standards. The bodies authorised to enforce a specific financial reporting framework are the Ministry of Commerce and Industry and the Financial Market Authority. The Financial Market Authority has allowed banks and insurance companies to use IFRS Standards since they are required by the Saudi Monetary Agency to use IFRS Standards.
Does the jurisdiction have a formal process for the 'endorsement' or 'adoption' of new or amended IFRS Standards (including Interpretations) in place?	Yes.
If yes, what is the process?	SOCPA has a process for endorsement as part of the 'SOCPA Project for Transition to International Accounting & Auditing Standards' described earlier . That process involves a review of each IFRS Standard for compatibility with the Saudi environment.
If no, how do new or amended IFRS Standards become a requirement in the jurisdiction?	Not applicable.

Has the jurisdiction eliminated any accounting policy options permitted by IFRS Standards and/or made any modifications to any IFRS Standards?	<p>For those banks and insurance companies that are currently required by SAMA to use IFRS Standards, they use IFRS Standards as issued by the Board without any modification. For other listed entities that will follow the standards adopted under the IFRS Transition Plan, SOCPA has adopted all of the IFRS Standards issued as of 31 December 2015 without amending any requirements in those Standards. However:</p> <ul style="list-style-type: none"> • SOCPA did add disclosure requirements to several standards, mainly to reflect Sharia or local law. • The Capital Market Authority (CMA) has decided that the options to use the revaluation model for property, plant, and equipment and intangible assets in IAS 16 <i>Property, Plant and Equipment</i> and IAS 38 <i>Intangible Assets</i> and the option to use the fair value model for investment property in IAS 40 <i>Investment Property</i> will not be available for the first three years post transition (2017 to 2019) for listed companies. Upon completion of the aforementioned period, the CMA will study whether to continue to require the cost model or whether to allow the application of the fair value/revaluation models. <p>The above modifications do not affect the ability of a company to assert compliance with IFRS Standards.</p>
If yes, what are the changes?	Not applicable.
Other comments regarding the use of IFRS Standards in the jurisdiction?	Not applicable.

TRANSLATION OF IFRS STANDARDS

Are IFRS Standards translated into the local language?	The IFRS Foundation coordinates the publication of an annual bound volume of IFRS Standards in Arabic.
If they are translated, what is the translation process? In particular, does this process ensure an ongoing translation of the latest updates to IFRS Standards?	The translation follows the official IFRS Foundation translation process.

APPLICATION OF THE IFRS FOR SMEs STANDARD

Has the jurisdiction adopted the <i>IFRS for SMEs</i> Standard for at least some SMEs?	Yes. SOCPA has adopted the 2015 version of the <i>IFRS for SMEs</i> Standard. The only modifications made by SOCPA were to add some disclosures, mainly to reflect Sharia or local law. SOCPA adopted the <i>IFRS for SMEs</i> Standard to be effective in 2018 for use by all non-publicly accountable entities. SMEs that are part of a listed group are permitted to elect early adoption in 2017.
If no, is the adoption of the <i>IFRS for SMEs</i> Standard under consideration?	Not applicable.
Did the jurisdiction make any modifications to the <i>IFRS for SMEs</i> Standard?	The only modifications made by SOCPA are to add some disclosures, mainly to reflect Sharia or local law.
If the jurisdiction has made any modifications, what are those modifications?	See above.

Which SMEs use the <i>IFRS for SMEs</i> Standard in the jurisdiction, and are they required or permitted to do so?	All SMEs (as defined in the <i>IFRS for SMEs</i> Standard) are permitted to use the <i>IFRS for SMEs</i> Standard. Alternatively, an SME is permitted to use full IFRS Standards as adopted in Saudi Arabia, with two conditions: <ul style="list-style-type: none">• The SME must apply full IFRS Standards in full, not selectively.• Once it has elected to use full IFRS Standards, the SME must continue applying those Standards as long as no new circumstances have arisen that make the cost and effort to continue using full IFRS Standards unnecessarily high, such as:<ul style="list-style-type: none">○ transfer of ownership to a company that applies the <i>IFRS for SMEs</i> Standard, provided that the loss of control is not temporary; and○ the SME undergoes a major restructuring that reduces the size of its operations and makes the cost and efforts high for preparing financial statements according to full IFRS Standards.
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For those SMEs that are not required to use the <i>IFRS for SMEs</i> Standard, what other accounting framework do they use?	See above.
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Other comments regarding use of the <i>IFRS for SMEs</i> Standard?	The <i>IFRS for SMEs</i> Standard has been translated into Arabic.
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