RETT

هيئة الزكاة والضريبة والجمارك
Zakat, Tax and Customs Authority

Detailed Guideline for The Real Estate Transaction Tax

In accordance with the provision of the Real Estate Transaction Tax Law and its Implementing Regulations

Version 6 | May 2026

Note: The English version is for guidance purposes only. In case of discrepancy between the Arabic and English versions, the Arabic version shall prevail

The Zakat, Tax and Customs Authority ("ZATCA", "Authority") has issued this Tax Guideline for the purpose of clarifying certain tax treatments concerning the implementation of the statutory provisions in force as of the Guideline's issue date. The content of this Guideline shall not be considered as an amendment to any of the provisions of the Laws and Regulations applicable in the Kingdom.

Furthermore, the Authority would like to highlight that the clarifications and indicative tax treatments prescribed in this Guideline, where applicable, shall be implemented by the Authority in light of the relevant statutory texts. Where any clarification, interpretation or content provided in this Guideline is modified - in relation to unchanged statutory text - the updated indicative tax treatment shall then be applicable prospectively, in respect of transactions made after the publication date of the updated version of the Guideline on the Authority's website.

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1.Introduction

1.1 Implementation of the Real Estate Transaction Tax Law in the Kingdom

Royal Order No. (A/84) was issued on 14/02/1442 H, stipulating the exemption of supplies of real estate—made as a way of transferring its ownership, or the right to transfer therein as an owner—from Value Added Tax (VAT). Concurrently, the Real Estate Transaction Tax (RETT) was imposed on sales and the like at a rate of %5 of the value of real estate. This measure aims to support citizens and licensed real estate developers, and to contribute to the achievement of the state's targets by increasing the rates of real estate ownership. Furthermore, the amount borne by the country from the value of the Real Estate Transaction Tax was increased, as the state will bear the RETT for amounts not exceeding one million SAR from the purchase price of the citizen's first home. This is in comparison to the amount incurred in the VAT for not more than 850,000 SAR prior to the issuance of the Royal Order. The tax was implemented starting from 14/02/1442 H (corresponding to October 4, 2020) in accordance with the Implementing Regulation of the Real Estate Transaction Tax issued by His Excellency the Minister of Finance No. (712) dated 15/02/1442 H.

On 19/03/1446 H, Royal Decree No. (M/84) was issued, approving the Real Estate Transaction Tax Law. This Law entered into force and became effective on 12/10/1446 H (corresponding to April 10, 2025)—the Law's effective date. Additionally, the Board of Directors of the Zakat, Tax and Customs Authority (ZATCA) issued its Resolution No. (25-03-01) dated 24/09/1446 H (corresponding to March 24, 2025), approving the Implementing Regulations necessary for the Law's execution, which entered into force simultaneously with the Law's effective date.

1.2. Zakat, Tax and Customs Authority (ZATCA)

The Authority is the body charged with the implementation, administration, and collection of the Real Estate Transaction Tax, hereinafter referred to as the "Tax" unless the context otherwise requires. According to its mandate, the Authority's tasks center on the collection of Zakat, taxes, and customs duties, and achieving the highest levels of compliance by taxpayers with their obligations in accordance with best practices and high efficiency. It also regulates and manages all activities related to customs work and customs ports to ensure their advancement to the highest degree of efficiency, productivity, and competitiveness. In addition to its legally prescribed powers and without prejudice to the powers and responsibilities of other entities, the Authority may undertake all necessary actions to achieve its objectives.

1.3. What is Real Estate Transaction Tax (RETT)?

Real Estate Transaction Tax is an indirect tax imposed on all transactions that result in a legal effect, represented in the transfer of real estate ownership, its possession for the purpose of ownership, or the ownership of its benefit from one person to another. The transaction may be contingent upon the meeting of the wills of both parties to the transaction, such as a sale; or based on the individual will of the assignor, such as a will (bequest). These transactions include, but are not limited to:

- Gifting or waiver.
- Barter or consideration.
- Finance lease.
- Lease-to-own.
- Islamic Ijarah ending with ownership.
- Transfer of interests in real estate companies.
- Long-term usufruct contracts exceeding 50 years.

RETT is imposed on all real estate regardless of its condition, form, or use at the time of the transaction. This includes land and what is constructed, built, or erected thereon, whether developed or undeveloped, and whether the transaction involves the entire real estate or any part thereof (subdivided, undivided, or a residential unit) or other types of real estate.

Furthermore, the transfer of shares, interests, or units in real estate companies is considered within the scope of tax application and is subject to the tax unless one of the exemptions stipulated in Article 3 of the Real Estate Transaction Tax Law applies. For the purposes of RETT application, a "Real Estate Company" refers to any company, fund, or entity—regardless of its purpose of establishment—that owns real estate within the Kingdom, directly or indirectly, for the purpose of generating revenue therefrom, selling, or leasing it, provided that the total fair market value of such real estate is not less than (%50) of the total fair market value of its assets. This assessment is made as of the date of share, interests, or unit transfer or at any time during the preceding (365) days, as the transfer of such shares, interests, or units is considered an indirect transfer of the ownership of the real estate owned by the Real Estate Company. The concept of real estate companies includes companies incorporated in the Kingdom under the Companies Law, individual establishments, and investment funds established under the rules and regulations of the Capital Market Authority and other entities incorporated in the Kingdom.

The transfer of shares, interests, or units listed on the Capital Market for real estate companies is not considered a transfer of shares, interests, or units subject to RETT, as it is deemed an exempt transaction in accordance with the provisions of Article (3) of the Law and Article (3) of the Implementing Regulations, where the transaction in such cases involves a traded security (share, interest, or unit).

Example (1)

A person sold a plot of land for a value of (SAR 1,000,000) and intended to transfer the ownership of the real estate in the name of the buyer. In this case, the real estate transaction—represented in that person selling the plot of land—is a transaction subject to RETT. Subsequently, the buyer subdivided the plot of land into several plots and intended to transfer the ownership of each plot separately in the names of several other persons. In this case, the real estate transaction for each plot of land represents a new transaction subject to RETT.

1.4. This Guideline

This guideline is directed to all persons who carry out any real estate transaction. Its importance lies in providing further clarification regarding the tax treatment of such transactions.

In order to obtain guidance regarding any specific transactions, it is possible to submit a request for a ruling, or visit the Authority's website (zatca.gov.sa), which includes a wide range of tools and information specifically developed to assist persons subject to RETT, including visual guidance materials, all relevant data, and Frequently Asked Questions (FAQs).

2. Definitions of main Terms Used

Transaction

For the purposes of this guideline, a transaction is defined as an act performed by a person's will with the aim of creating a specific legal effect. This effect consists of establishing, amending, or terminating a right in accordance with the provisions of the Law. This act may result from the meeting of two or more wills or from a unilateral will.
For example, contracts concluded to transfer the ownership of real estate between two parties are a legal transaction based on the meeting of two wills, which legally transfers all real rights related to that real estate to the owner. Similarly, a will (testament) is a legal transaction based on a unilateral will, which also grants real rights.

Real Estate

For the purposes of this guideline, real estate is defined as immovable property within the Kingdom, including: built properties and lands. The definition of real estate includes each of the following:

- Any specific land area upon which rights of ownership, possession, or other real rights may arise.
- Any buildings or engineering structures permanently erected on a land.
- Any fixtures or equipment that form a fixed part of, or are permanently attached to, a building, structure, or engineering work.

Real Estate Transaction

Any transaction that transfers ownership of real estate or its benefit permanently—directly or indirectly—or transfers its benefit for a period exceeding (50) years.

Ownership Right

For the purposes of this guideline, ownership right is defined as the right that grants its holder all rights over a specific physical thing, enabling the right holder to exclusively enjoy all benefits of that specific physical thing, including the right of use, exploitation, and disposal.

Barter Contract

For the purposes of this guideline, a barter contract is defined as a contract under which each of the contracting parties is obligated to transfer to the other, by way of exchange, the ownership of property other than money.

Commutative Contract (Contract of Consideration)

For the purposes of this guideline, a commutative contract is defined as a contract that creates a voluntary obligation between the contracting parties to perform their mutual obligations in a give-and-take manner; to own an asset, benefit from a utility or service, or acquire a financial right.

Lease Contract (Ijara)

For the purposes of this guideline, a Lease Contract is defined as: "The lessor granting the lessee a specific intended benefit of the leased property for a specific period in exchange for a known consideration."

Murabaha Contract (Murabaha)

For the purposes of this guideline, a Murabaha Contract is defined as a type of Islamic finance, and is also defined as cost-plus financing, where the seller and buyer agree on the cost of the physical asset and the profit.

Finance Lease Contract

The Finance Lease Law, issued by Royal Decree No. (M/48) dated 13/8/1433 H, defines it as: A contract whereby a lessor leases to a lessee fixed or movable assets, benefits, services, or intangible rights in his capacity as owner thereof, or owner of the benefit thereof, or is able to own or establish the same, provided that the lessor's acquisition thereof is for the purpose of leasing them to others as a profession.

Right of Usufruct

For the purposes of this guideline, the Right of Usufruct is defined as a real right that entitles the usufructuary to use and exploit a property owned by another. This right is established by the will of the parties or by virtue of the law, and it may be restricted by a term or a condition.

Off-Plan Sale

For the purposes of this guideline, Off-Plan Sale is defined as the sale or leasing of subdivided real estate units before the completion of their construction, which was regulated by the Law of Sale and Lease of Off-plan Real Estate Projects of 1445 AH.

Residential Real Estate

For the purposes of this guideline, Residential Real Estate is defined as a residence or a place designed for permanent residential purposes, and not for commercial activities. The Implementing Regulations for Value Added Tax clarified that residential real estate includes what falls within the legally attached boundaries of the property, including gardens, parking lots, or any part of the property that is considered permanent.

Non-Residential Real Estate

For the purposes of this guideline, Non-Residential Real Estate is defined as real estate that does not align with the definition of residential real estate, and includes—but is not limited to:

- Commercial real estate.
- Vacant lands, whether developed or undeveloped.
- Partially completed construction works.
- Agricultural lands.

Hotels, inns, guest houses, serviced accommodation places, or any other building designed to provide temporary accommodation for visitors or travelers are considered non-residential real estate.

Notarization

Procedures for establishing a real estate transaction in accordance with relevant statutory provision

Public Endowment

The Law of the General Authority of Endowments defines Public Endowment as: "An endowment dedicated for designated or described general charity."

Private (Family) Endowment

The Law of the General Authority of Endowments defines Private (Family) Endowment as: "An endowment intended for designated or described descendants and relatives."

Joint Endowment

The Law of the General Authority of Endowments defines Joint Endowment as: "An endowment which combines more than one type of endowment."

Fair Market Value

The consideration for which a property can be traded in an open market between two independent parties for a similar real estate transaction, or as per the approved real estate indices.

Official Documents

For the purposes of this guideline, Official Documents are defined as: "Those documents through which transactions are verified within the scope of official statutory authentication."

Unofficial Documents

For the purposes of this guideline, Unofficial Documents are defined as: "Those documents through which transactions are verified outside the scope of official statutory authentication."

Public Interest Entities and Projects

The Law of Associations and Non-Profit Organizations defines Public Interest Entities and Projects as those whose purpose is to achieve public benefit, provided this is stipulated in their establishment license.

Real Estate Companies

Any company, fund, or entity—regardless of its purpose of incorporation—that owns real estate within the Kingdom, directly or indirectly, for the purpose of generating revenue through sale or lease, provided that the total fair market value of such real estate is not less than (50%) of the total fair market value of its assets on the date of the interest transfer in that entity at any time during the (365) days preceding the date of the interest transfer.

3. Cases out of the Scope of Real Estate Transaction Tax

This chapter is concerned with identifying the transactions or dispositions that fall outside the scope of tax imposition. Article Two of the Implementing Regulations for the Real Estate Transaction Tax Law did not only clarify the cases of tax imposition, but also included provisions that exclude certain cases from the scope of tax imposition, as follows:

3.1 Transaction of interests in Real Estate Companies that Do Not Reach the Threshold for Taxable Real Estate Transactions

A Real Estate Company is defined as every company, fund, or entity that directly or indirectly owns real estate within the Kingdom with the aim of generating revenue from selling or leasing it, provided that the total fair market value of such real estate is not less than (50%) of the total fair market value of its assets, at the date of the interest transfer or at any time during the period of three hundred and sixty-five (365) days preceding the date of the interest transfer.

The transaction of interests shall be deemed a real estate transaction if a person or a group of persons acting in concert transfer a total interest of (30%) or more of the interests of a real estate company through one transaction or a series of related transactions within a period of three years. In such a case, these transactions shall be treated as a taxable real estate transaction; otherwise, it shall not be considered a taxable real estate transaction and shall therefore fall outside the scope of the tax.

Example (1)

One of the partners in Company (A) —a real estate company according to the provisions of the Real Estate Transaction Tax Law —by transferring his entire interest of (9%) in the company by selling that interests to investor (Ahmed); this transaction is deemed a non-taxable real estate transaction.

Example (2)

One of the investors in Company (A) transferred interests he owns in a real estate company during separate time periods not exceeding three years, where (10%) of his interests were transferred in January 2023, then (15%) of the interests were transferred in June 2024, and in June 2025 he transferred another (10%) of the interests, bringing the total transactions within the three years to (35%) of the real estate company's interests. The tax shall be due on these transactions as of the date of the last transaction in June 2025, which is the date on which the transactions reached (35%) of the real estate company's interests.

It must be taken into account that for a transfer of interests in a real estate company to be taxable, it is required that the interest holder's ownership in the company's interests has reached (30%) or more, and that the transfer itself involves (30%) or more of the real estate company's interests—whether through a single transaction or through multiple linked transactions. In the event that neither of these two conditions is met, the transfer of ownership of those interests is not considered a taxable transaction.

3.2 Capital Increase in Real Estate Companies

Article Two of the regulation stipulates that the ownership of existing partners of new interests as a result of a capital increase is not deemed a real estate transaction, provided that their ownership percentages remain as they were before the increase; the reason for this is that the increase here does not change the ownership percentages of the partners and does not transfer ownership from one party to another, but is rather limited to increasing the capital while maintaining the same previous percentages in interests after the increase.

The same article also emphasized that the entry of new partners through a capital increase is not deemed a real estate transaction, provided that the existing partners retain their interests owned before the increase and do not transfer them for a period not exceeding five years, from the date of the increase

Example 3:

A. **Capital Increase with Ownership Percentages Remaining Constant**

Two partners established a real estate company with joint capital, where each partner owns (50%) of the company's interests. The company decided to increase its capital by issuing new interests; however, this increase did not affect the percentages owned by the two partners, and their ownership continued after the capital increase at (50%) for each partner. Accordingly, the transaction is deemed outside the scope of tax imposition.

B. **Entry of a New Investor with a Transaction of Partners' interests**

Two partners established a real estate company with capital owned at (50%) for each partner—the existing partners. The company decided to increase its capital by issuing new interests, which were owned by a new investor, while the existing partners continued to hold their owned interests and did not transfer them for a period of (5) years from the date of the company's capital increase. Accordingly, the transaction is deemed outside the scope of tax imposition.

Cases of capital increase in a real estate company shall be subject to tax in the event of a change in the ownership percentages of the existing partners from what they were prior to the capital increase, or in the event of new partners entering through a capital increase where the existing partners fail to retain their interests owned before the increase for a period of five years starting from the date of the increase.

3.3 Subdivision or Partition of Real Estate Among Co-owners

Article Two of the Implementing Regulations distinguished between the subdivision of real estate and the partition of real estate owned in common. Subdivision of real estate refers to the fragmentation of a property owned in common into specific parts defined by their boundaries and dimensions, where an independent title deed is issued for each part while common ownership continues.

As for the partition of real estate owned in common, it is the procedure that results in the termination of the state of common ownership, whereby each partner has an independent share of the entire property.

Accordingly, cases of subdividing real estate are not deemed taxable real estate transactions, unlike cases of partitioning real estate among co-owners, which are deemed taxable real estate transactions. However, cases of partitioning real estate may fall outside the scope of tax imposition if the following conditions are met:

3.3.1 All ownership of the real estate must be recorded in a single title deed for the same real estate.

All owners must be mentioned in the same deed, and the property cannot be owned individually or separately prior to the partition.

3.3.2 Real estate ownership after partitioning must reflect the ownership rights of each owner as recorded in the title deed.

After the partition, the status of the real estate ownership must align with the ownership rights held by each owner according to the original deed.

3.3.3 Absence of financial consideration between the owners regarding the partition:

There must be no financial consideration from any owner to another in exchange for the partition process. This means that the partition is not considered a sale or a transfer of ownership between the owners, but rather a mere redistribution of real estate rights among the owners as stipulated in the deed.

Example (4)

Four (4) persons decided to subdivide a land they own in common in equal shares of (25%) for each partner under a single deed registered with the Notary Public, provided that it is subdivided into three (3) plots and into three (3) deeds. After reviewing with the competent authority and completing the statutory procedures, the land was subdivided into three (3) plots and three (3) deeds, with the continuation of common ownership for all partners at a rate of (25%) for each partner in each of the three (3) plots under three (3) deeds.
Accordingly, the transaction is deemed outside the scope of tax imposition.

Example (5)

Four (4) brothers decided to partition a land they own in common in equal shares with a total area of (1,000 m^2) under a single deed registered with the Notary Public, where each of them owns (25%) pro-indiviso of the entire land. After reviewing with the competent authority and completing the statutory procedures, the land was partitioned into four (4) equal plots of (250 m^2) each, and an independent deed was issued for each brother regarding the plot assigned to him, provided that such partition does not include any compensation or financial consideration among the brothers, but is rather limited to the termination of the state of common ownership and the allocation of each share into a subdivided part of the real estate.
Accordingly, the transaction is deemed outside the scope of tax imposition.

3.4 Real Estate Transactions Subject to Tax Only Once

In principle, tax is imposed only once when there is unity of the parties to the transaction, unity of the real estate, and unity of the value. This includes transactions resulting from Murabaha contracts and Finance Lease; where the first transaction—from the owner to the licensed financing entity—is subject to tax, and the tax shall not be imposed again on the subsequent transaction if the following conditions are met:

- The first transaction is subject to tax.
- The transaction event is included within the financing contracts issued by the financing entities, specifying the transactions, the real estate, and the value.
- No change in the description of the real estate and its value as specified in the aforementioned financing contracts.

This means that the return of ownership from the financing entity to the customer—pursuant to the same contract and without change in the description of the contract or the value—does not create a taxable real estate transaction. That is, this subsequent transaction is outside the scope of tax imposition.

Example (6)

A customer wishes to purchase an apartment from a real estate development company for an amount of SAR 1,000,000 under a Finance Lease contract. Accordingly, the bank purchases the apartment from the company and pays the due tax on this sale. The customer then pays the value of the apartment in monthly installments. Upon the expiration of the contract, the ownership is transferred to the customer without imposing a new tax, as the first sale is the one that was subject to tax, while the final transfer of ownership is considered an execution of the financing contract for which the Real Estate Transaction Tax (RETT) has already been paid, and it does not create a new real estate transaction.

4. Due Date of Real Estate Transaction Tax

4.1. Imposition of Real Estate Transaction Tax

Real Estate Transaction Tax (RETT) is imposed at a rate of 5% of the total purchase price for each transaction separately. Consequently, if the transaction is repeated on the same property, the purchase price for each transaction is subject to RETT at a rate of 5%, unless the transaction is exempt from tax according to the list of exemptions stipulated in the RETT Law and its Implementing Regulations, which will be mentioned later in detail. This applies regardless of whether the transaction is notarized or not, as the general rule for tax due date is the occurrence of the tax-triggering event, which is the transfer of the right to others.

Example (7)

Two persons agreed on the sale of a commercial property and the transfer of its title deed in favor of the buyer at the Notary Public on April 15, 2025, provided that the value of the property is equivalent to the Fair Market Value (SAR 800,000). The sale of the property and its transfer are considered a taxable real estate transaction at a rate of 5%. A tax of (SAR 40,000) is due on the transaction, to be paid on or before the date of notarization with the Notary Public or the Accredited Notary

4.2. Tax Base for Tax Calculation

The tax base for Real Estate Transaction Tax (RETT) is determined based on the value agreed upon between the parties to the transaction, provided that the agreed value is not less than the Fair Market Value on the date of the transaction. The taxable value includes all inseparable elements of the real estate, including any licenses, original or accessory real rights, or similar rights closely linked to the real estate, and they are considered part of the total taxable value. The value of the real estate does not include the implicit profit margin if the transaction is part of any legally licensed financing cases.

The Fair Market Value is based on a comparison with similar and simultaneous sale cases of similar real estate conducted between independent, unrelated persons within the ordinary course of business, provided that the Authority takes into account the nature of the transaction, surrounding market conditions, and the actual date of ownership transfer.

First: Transfer of Equity in a Real Estate Company

Upon the transaction of shares or interests in a real estate company that owns real estate directly or indirectly, the tax is calculated based on the Fair Market Value of all real estate owned by the company, multiplied by the percentage of the transferred interest, or based on the value agreed upon between the parties and allocated to the real estate, whichever is higher.

Second: Granting Usufruct Rights for a Period Exceeding Fifty Years

If the transaction involves granting a usufruct right for Real Estate a period exceeding (50) years, the tax is calculated based on the present value of the Fair Market Value of the usufruct right, or based on the present value of the total financial consideration agreed upon for its payment over the entire usufruct period, whichever is higher. The parties must request a recalculation of the tax and submit a correction request if the financial consideration is modified after the conclusion of the transaction.

Third: Build-Own-Operate-Transfer (BOOT) Projects

In Build-Own-Operate-Transfer projects, the taxable value is determined based on the Fair Market Value of the real estate transaction on the date of actual ownership transfer to the competent authority or the entity contracting with it. This is due to the different nature of this type of contract compared to traditional real estate transactions, and the valuation therein is based on the date of ownership transfer rather than the date of concluding the agreement.

Example (8)

Two persons concluded a sale contract on April 15, 2025, whereby the seller sells a piece of land to the buyer for an amount of SAR 1,000,000. However, it was revealed to the Authority that the Fair Market Value of the land at the time of concluding the contract was SAR 1,500,000, and that the value was reduced due to a relative relationship between the parties to the transaction. In this case, the tax base is calculated according to the Fair Market Value at a rate of 5%. The tax is imposed on the amount of SAR 1,500,000.

Example (9)

A person purchased a residential unit from a seller for an amount of SAR 1,000,000. The buyer proceeded with the purchase through bank financing, and the financing cost was approximately SAR 400,000, which was added to the value of the real estate within the periodic installments required to be paid by the buyer over a period of 10 years. Consequently, the total amount intended to be paid by the buyer reached SAR 1,400,000. In this case, the tax is calculated at a rate of 5% of the total value of the real estate subject of the sale, which is fixed at SAR 1,000,000. The financing cost value mentioned above is not included in the calculation of the tax base.

Example (10)

An investor concluded a contract to obtain a usufruct right for commercial real estate for a period of (60 years), in exchange for an annual payment of SAR 100,000, where the total financial consideration agreed upon for the entire period amounted to SAR 6,000,000. Upon evaluating the Fair Market Value of the usufruct right, it was estimated at SAR 200,000 annually. In this case, the tax base is determined based on the higher value, which is the present value of the Fair Market Value of the usufruct right, and not the present value of the total agreed-upon value. The tax is imposed at a rate of 5% on the amount of SAR 12,000,000.

4.3. Tax Due Date and Payment Timing

The tax-triggering event for Real Estate Transaction Tax (RETT) is the transaction itself. Generally, the tax due date is the date of the real estate transaction, which is legally considered the date of its notarization with the Notary Public or the Accredited Notary. As for cases where notarization does not take place, the Implementing Regulations have specified different due dates that suit the nature of each case. The determination of this date varies depending on the type of transaction, as illustrated in the table below.

As for the tax payment, the Implementing Regulations of the Real Estate Transaction Tax (RETT) Law have specified a number of dates that can be used as a guide when determining the timing for paying the RETT, in accordance with the general rule which stipulates that the due tax payment date shall be on or before the date of notarization of the transaction with the Notary Public or the Accredited Notary. This means that it is possible to pay the tax as soon as the tax-triggering event (i.e., the transaction) and the transfer of ownership are established.
In all cases, a person cannot notarize the transaction, whether through a transfer at the Notary Public or notarization at any other competent authority as the case may be, before paying the tax to the Zakat, Tax and Customs Authority (ZATCA) and obtaining proof thereof, or obtaining evidence that the transaction is exempt from RETT if one of the exemption cases applies to the transaction.

The Implementing Regulations also clarified the tax due date and the payment date for certain cases as follows:

Type of Transaction	Tax Due Date	Tax Payment Date
Sale of real estate notarized at the Notary Public or the Accredited Notary	Date of notarization with the Notary Public or the Accredited Notary	On or before the date of notarization with the Notary Public or the Accredited Notary
Transfer of real estate possession for the purpose of ownership without being notarized	Date of placing the real estate in the possession of the Assignee	Within a period not exceeding 30 days from the date of transfer of possession
Transfer of interests in real estate companies	The earlier of the date of interests transfer or the conclusion of an unconditional agreement for their transfer.	Within a period not exceeding 30 days from the earlier of the date of interests transfer or the conclusion of an unconditional agreement for their transfer
Long-term usufruct rights (for more than 50 years)	Date of granting the usufruct right (unless cancelled within 30 days)	Within a period not exceeding 30 days from the date of granting the usufruct right
Notarization of a real estate sale by public auction (Except for cases related to the execution of a forced sale order which are exempt in accordance with the provisions of the regulations)	Date of notarization with the Notary Public or the Accredited Notary	On or before the date of notarization with the Notary Public or the Accredited Notary
Sale of real estate off-plan	Date of notarization of ownership transfer with the Notary Public or the Accredited Notary	On or before the date of notarization with the Notary Public or the Accredited Notary

Build-Own-Operate-Transfer (BOOT) projects	Date of actual transfer of ownership to the Assignee	Within a period not exceeding 30 days from the date of actual transfer if the notarization has not taken place
A real estate transaction that was exempt and subsequently violated the exemption conditions	Date of the transaction that no longer meets the exemption requirements	Within a period not exceeding 30 days from the date of breaching the exemption requirements
Unconditional agreement regarding a real estate transaction	The earlier of the date of concluding the agreement or the date of actual transfer of ownership	Within a period not exceeding 30 days from the earlier date

4.4. Special Cases for Due Tax Payment Date

"Tax shall be paid in cases not covered by official notarization procedures before the competent administrative authority or the accredited notary —transactions evidenced by unofficial documents —within (30) calendar days from the date of the contract, the final agreement, the transfer of ownership, or the date on which all conditions related to the transfer of ownership are met in a Build-Own-Operate-Transfer (BOOT) project. A late payment penalty shall be imposed upon exceeding this period. The date of the transaction may be established by all means and circumstantial evidence indicating it"

Example (11)

The two parties agreed that the First Party shall grant the Second Party a usufruct right over a land owned by the First Party, so that the Second Party may benefit from it through cultivation for a period exceeding 50 years. Consequently, the tax-triggering event is established under the agreement, which is considered an unofficial document; therefore, a tax of 5% is imposed as clarified above. Accordingly, the Assignor (the First Party) must use the Real Estate Transaction Tax (RETT) service on the Authority's website to disclose the transaction and pay the due tax within a period not exceeding (30) days from the date of granting the usufruct right.

Example (12):

(A) A real estate owning company, the First Party, entered into a Build-Own-Operate-Transfer (BOOT)contract with a specialized energy company, the Second Party, for a period of (25) years. The agreement stipulated that the Second Party shall construct the buildings and facilities, provided that the ownership of such assets is transferred to the First Party after the expiration of the period specified in the contract. Accordingly, the tax on this Transaction shall be due on the date of the actual transfer of ownership to the First Party (after the expiration of the 25 years and fulfillment of all conditions related to the transfer of ownership according to the contract), and the due tax must be paid within 30 days from that date.

(B) A real estate owning company, the First Party, entered into a Build-Own-Operate-Transfer (BOOT)contract with a specialized energy company, the Second Party, for a period of (25) years. The agreement stipulated the construction of buildings and facilities, and the Second Party's transfer of ownership of those assets after the lapse of (12 years) from the date of concluding the contract upon fulfillment of the conditions related to the transfer of ownership according to the contract. Accordingly, the tax on this Transaction shall be due on the date of the actual transfer of ownership to the First Party after the lapse of 12 years, which is the date on which all conditions related to the transfer of ownership according to the contract requirements are met. The due tax must be paid within (30) days from that date.

According to the standard cases for non-notarized real estate Transactions, the tax is due at the time of concluding the contract and shall be paid within (30) calendar days. However, for Build-Own-Operate-Transfer (BOOT) contract cases, the tax is due upon the actual transfer of ownership to the Assignee, which is the date on which all conditions related to the transfer of ownership are met according to the contract requirements or the agreement concluded between the parties of the Transaction, and it shall be paid within (30) calendar days from that date.

4.5. Person Liable for Tax Payment

The general rule is that the tax collection is the responsibility of the Assignor (Seller), in their capacity as the person liable for it to the Authority. The Assignee (Buyer) may be held jointly liable with the Assignor for paying the tax in the event that it is proven to the Authority that the Assignee was the cause for the non-payment of the tax.

The Assignee shall be held liable jointly with the Assignor for the payment of the due tax in cases where it is proven to the Authority that the Assignee caused the non-payment, reduction, or delay in tax payment. These cases include, for example:

A. The Assignor and the Assignee entering into an arrangement aimed at reducing the amount of the due tax or not paying it within the specified time.

B. The Assignee performing any act that leads to a violation of the restrictions specified in the Regulations, resulting in the non-payment or reduction of the due tax within the specified time.

In the event that the Authority considers the Assignee jointly liable with the Assignor for the due tax, the Authority shall notify both the Assignor and the Assignee of the tax amount and the payment date.

The Assignor must also notify the Authority upon payment in the event of being held jointly liable.

Example (13)

Two persons concluded a contract to sell a property valued at (2,000,000) SAR. Both parties agreed to declare a lower sale price and provided the Authority with a value of (1,200,000) SAR for the purpose of reducing the due tax. Upon the Authority's review of the documents and available data, it was found that the market value of the real estate on the Transaction date amounted to (2,000,000) SAR, and that the price reduction was a result of a mutual agreement between the Assignor and the Assignee for the purpose of reducing the due tax amount.

In this case, the Authority considers the Assignee jointly liable with the Assignor for the due tax. The Authority shall notify both parties of the due tax amount and the specified payment deadline. The Assignee must notify the Authority upon payment.

Example (14)

An individual purchased a residential unit valued at (1,000,000) SAR. The buyer (Assignee) presented a certificate stating their eligibility for the State to bear the tax for the "first home"; thus, no tax was paid by the seller (Assignor) to the Authority. Subsequently, upon the Authority's verification procedures, it was proven that the eligibility for the State to bear the tax on the Transaction date was incorrect, resulting in the non-payment of the due tax.

In this case, the Authority considers the Assignee jointly liable with the Assignor for the payment of the due tax, as they were the cause of the non-payment. The Authority shall notify both the Assignor and the Assignee of the tax amount and the payment date

4.6. Fictitious and Concealed Real Estate Transactions

In some cases, parties may enter into fictitious or concealed contracts to achieve certain objectives, such that they do not reflect the actual rights and obligations arising from the real Transaction. The tax is calculated based on the actual Transaction, rather than the fictitious or concealed one.

Example (15):

Two persons agreed to conclude a contract evidenced by an unofficial document, whereby one of the parties benefits from the real estate owned by the other party, while the nominal ownership remains with the first owner. The Authority, upon discovering such cases and contracts, has the right to establish the tax-triggering event of the transaction.

5. Real Estate Transaction Tax Exemptions

The Real Estate Transaction Tax Law includes a number of exemptions, taking into account social or economic dimensions, as well as to reduce the burden on citizens, ensure that the same Transaction is not taxed more than once, or avoid taxation on real estate Transactions previously subject to Value Added Tax (VAT).

5.1. We detail these exemptions as follows:

5.1.1. Real Estate Transaction in cases of estate division or distribution

According to the provisions of paragraph (A/1) of Article Three of the Law, real estate Transactions resulting from the division of an estate, whether from the deceased to the heirs or among the heirs themselves, are exempt from the tax within the limits of their legal interests, in accordance with the inheritance certificate. This is because such a case is not considered a sale/ Transaction of the property subject to distribution. It is required that the Transaction be limited only to the distribution and division of the estate within the limits of the legal shares. This exemption does not extend to include the Transaction by heirs of their shares after that, nor does it include one of the heirs selling their share—whether that sale was to one of the other heirs or to another person from outside the heirs.

Example (16)

A person passed away and his estate was distributed among a number of heirs. The share of some of the sons and daughters from the estate was obtaining the house.

This Transaction is exempt from Real Estate Transaction Tax in this case upon the transfer of the real estate, while the real estate Transaction must be registered with the Zakat, Tax and Customs Authority to obtain what proves the exemption from paying the Real Estate Transaction Tax, so that the transfer process is accepted at the Notary Public without registration. In the event that the heirs sell the real estate after the distribution of the estate, that sale shall be subject to Real Estate Transaction Tax. Likewise, if the real estate is sold by the heirs before the distribution of the estate for the purpose of distributing its value in cash among them, then that sale shall be subject to Real Estate Transaction Tax.

It is also worth noting that in the event that the house represents a share larger than the heir's share and the rest of the heirs were compensated for the difference between the house value and the heir's share, then this difference is considered a real estate Transaction subject to tax.

5.1.2. Real Estate Transaction - without consideration, whether in cash or in kind - for a public, private, or joint Endowment, provided that the public, private, or joint Endowment is registered with the relevant authorities for Endowments and is subject to their supervision.

This exemption is limited to the first Transaction of the real estate (without consideration) for the benefit of the Endowment. Any subsequent Transaction is not considered among the exempt Transactions. However, in the case of an Endowment through a sale Transaction, or granting a long-term usufruct right (for more than 50 years), or any other Transaction that is considered a sale from the Real Estate Transactions perspective, such a Transaction shall be subject to the Real Estate Transaction Tax.

It should also be noted that the mere Transaction of real estate for the benefit of a public, private, or joint Endowment does not exempt it from the Real Estate Transaction Tax unless that Transaction is without consideration. Therefore, if the Transaction for the benefit of the Endowment is for consideration, it shall be subject to the Real Estate Transaction Tax.

Example (17)

An individual transferred a commercial building to an Endowment without consideration.
The Transaction in this case is exempt from the Real Estate Transaction Tax, as the Transaction from the owner to the Endowment was without consideration.

Example (18)

An individual sold a residential building to an Endowment for an amount of (1,000,000) SAR.
In this case, the Transaction is subject to the Real Estate Transaction Tax, as the exemption is limited to the first Transaction from the owner to the Endowment, provided it is without consideration. Therefore, since the Transaction was for a consideration of (1,000,000) SAR, the Transaction shall be subject to the Real Estate Transaction Tax at a rate of 5%.

5.1.3. Real Estate Transaction - without consideration, whether in cash or in kind - from or to a licensed charitable organization.

This exemption applies to the real estate Transaction that takes place without consideration for a licensed charitable organization or from it. The scope of exemption is limited to the Transaction that takes place without consideration for the charitable organization or from it, and does not include the scope of exemption for Transactions that take place from and to the charitable organization if they are for consideration.

Example (19)

A landowner intended to grant his land without consideration to a licensed charitable organization.

This Transaction is exempt from the Real Estate Transaction Tax in this case, taking into account the necessity of verifying that the land will be granted without consideration, as well as verifying that the charitable organization to which the land will be granted is licensed by the relevant authorities.

Example (20)

The charitable organization subsequently granted one of the companies the right to benefit from that land for a period of 70 years for an amount of (100,000) SAR per year.

In this case, that Transaction is subject to the Real Estate Transaction Tax, as the exemption is limited to the first Transaction from the owner to the charitable organization initially provided it is without consideration. As for the Transactions issued by the charitable organization after that for the purpose of management or benefiting from that land, they are not covered by the exemption, and shall be subject to the Real Estate Transaction Tax unless they are covered by any other exemption stipulated in the Law.

5.1.4. Real Estate Transaction for a public agency or for public legal persons or entities and projects of public benefit.

This exemption applies to real estate transactions that take place for the benefit of public agencies, and public legal persons such as public authorities that enjoy independent legal personality, and entities and projects of public benefit. The latter (entities and projects of public benefit) For the purposes of the Real Estate Transaction Tax Regulations refers to entities that carry this status by virtue of the Law of Civil Society Associations and Organizations. Although the assignor is the one who bears the Real Estate Transaction Tax, it is customary in practical reality that the agreement between the assignor and the assignee is for the assignee to bear the tax. Therefore, this exemption lifts this burden from the public agencies, public legal persons, and entities and projects of public benefit. It should be noted that this exemption applies to the purchase of real estate by those entities regardless of the purpose or use for which the real estate was purchased.

Example (21)

One of the ministries purchased real estate from an individual for an amount of (1,500,000) SAR to be used for that ministry's activities.

The seller is exempt in this case from paying the Real Estate Transaction Tax prior to the property transfer process for the benefit of the ministry.

Example (22)

One of the public authorities purchased a commercial real estate from an individual for an amount of (10,000,000) SAR to be used in commercial activities for the purpose of generating revenue for that authority.

The seller is exempt in this case from paying the Real Estate Transaction Tax prior to the property transfer process for the benefit of the authority.

5.1.5 Real Estate Transaction by a public agency in its capacity as a public authority.

This exemption was added to allow public agencies that transfer of real estate in their capacity as a public authority ~~a~~ccording to the laws that require them to perform such transactions within the framework of public authority (for example: the Ministry of Municipalities and Housing, and the General Authority for State Real Estate) ~~to~~ transfer in real estate without imposing tax on the transaction subject of the disposal.

This applies only to transactions conducted within the framework of the statutory instrument that enables those entities to practice their activities as a public authority, and provided that the real estate transaction is not conducted according to economic or commercial criteria, or both, with the absence of competition with the private sector, to assist them in performing their roles entrusted to them for the benefit of the state, especially since the assignor or the seller is the one who bears the Real Estate Transaction Tax.

It should be noted here that this exemption is limited only to the public agency when performing its role as a public authority, and according to its statutory powers, provided that such transaction is not according to economic or commercial criteria, or both, in addition to the absence of competition with the private sector, which is what must be verified by the Authority to ensure the correct application of the exemption.

Example (23)

A ministry granted a residential apartment without a consideration (within the context of implementing its statutory competencies in housing citizens).

The seller (the ministry) is exempt from paying the Real Estate Transaction Tax prior to the property transfer process because the (ministry) has granted the residential apartment in the context of its role as a public authority responsible for supporting citizens in purchasing suitable housing at a low price supported by the state.

Example (24)

One of the public agencies sold a villa in one of the products to an individual for a value of (3,000,000) SAR, according to one of the investment programs it manages and implements.

This transaction is subject by the public agency to the Real Estate Transaction Tax at a rate of 5%; as the agency sold the villa within the framework of its economic or commercial activities that compete with the private sector, and not within the framework of its role as a public authority.

5.1.6 Real Estate Transaction in cases of expropriation of real estate ownership or temporary taking of property according to the laws or statutory instruments issued by relevant authorities, including returning the real estate to the original owner according to those laws or statutory instruments.

This exemption applies to the real estate transaction resulting from the expropriation of real estate for public benefit according to the laws applicable in the Kingdom, and the owner of the real estate is exempt from paying the Real Estate Transaction Tax in this case. The exemption only applies if the expropriation of ownership is carried out according to the approved statutory procedures, whereas transactions that take place outside this framework are subject to Real Estate Transaction Tax.

Example (25)

A decision was issued regarding the expropriation of a real estate for public benefit for the purpose of constructing a road, provided that the owner is compensated with an amount of (800,000) SAR.

The owner of that real estate is exempt from paying the Real Estate Transaction Tax before the real estate transfer or notarization process; as the transfer of ownership of the real estate was carried out forcibly for public benefit by virtue of an expropriation decision issued by a competent authority according to the laws applicable in the Kingdom.

5.1.7. Real Estate Transaction by way of a notarized gift to a spouse or a relative up to the third degree.

A real estate transaction by way of a notarized gift is exempt from Real Estate Transaction Tax if the donor (assignor) presents it to the donee (assignee) and they are a spouse or a relative up to the third degree. To apply this exemption, it is required that the donee does not transfer the gifted real estate to another person who would not have been eligible for the exemption if the donor had gifted the real estate to them directly, for a period of three years from the date of notarization of the gift. If the donee transfers the gifted real estate to such a person before the lapse of the specified period, the exemption shall cease, and the gift transaction becomes subject to Real Estate Transaction Tax.

Relatives up to the third degree mean the following:

- First degree: Father, mother, son, daughter.
- Second degree: Brother, sister, grandfather, grandmother, grandson, granddaughter, son of the daughter, daughter of the daughter.
- Third degree: Paternal uncle, paternal aunt, maternal uncle, maternal aunt, son of the brother, daughter of the brother, son of the sister, daughter of the sister.

Example (26)

A person gifted his land, which has a fair market value of (1,000,000) SAR, to his full brother (without a consideration), and intended to notarize the land in his brother's name at the Notary Public.

The assignor (donor) is exempt from paying the Real Estate Transaction Tax on the value of the land before the property transfer process; as the gift was made without a consideration for the benefit of his full brother, who is a relative up to the third degree.

Example (27)

A person gifted his land, which has a fair market value of (1,000,000) SAR, to his cousin (without a consideration), and intended to notarize the land in his cousin's name at the Notary Public.

This transaction is subject to Real Estate Transaction Tax at a rate of 5%, and the assignor (donor) must pay the tax on the value of the land before the property transfer process. Although the transaction represents a gift without a consideration, the cousin is not among the relatives up to the third degree; therefore, this transaction is not included in the exemption stipulated in the implementing Regulations of the Real Estate Transaction Tax Law.

Example (28)

A person sold his land to his father for an amount of (1,000,000) SAR, and intended to notarize the land in his father's name at the Ministry of Justice.

This transaction is subject to Real Estate Transaction Tax at a rate of 5%, and the assignor (seller) must pay the tax on the value of the land before the property transfer process. Although the transaction is for the benefit of the father, who is a relative of the first degree, the transaction was a sale and not a gift without a consideration; therefore, this transaction is not included in the exemption stipulated in the implementing Regulations of the Real Estate Transaction Tax Law.

Example (29)

A person, the "Original Donor," gifted land with a fair market value of (4,000,000) SAR to his grandfather (without a consideration), and the gift was notarized at the Notary Public. Four months after the date of the gift's notarization, the grandfather (the property owner) decided to gift it in turn to his other grandson, the "Cousin of the Original Donor," (without a consideration).

The first transaction (the person's gift to his grandfather) is exempt from Real Estate Transaction Tax as it is a notarized gift to a relative up to the third degree. However, the second transaction (the grandfather's gift to his other grandson) is considered a violation of the exemption condition, which requires not disposing of the property for a period of three years from the date of the first gift's notarization. This is because the second donee is not among the relatives of the "Original Donor" who are exempt; consequently, the exemption for the "Original Donor" is revoked, and Real Estate Transaction Tax is imposed on the first transaction.

5.1.8. Real Estate Transaction in implementation of a notarized lawful will. A notarized lawful will is exempt from the Real Estate Transaction Tax, provided that such will is notarized.

Example (30)

A person recommended granting a piece of land after his death to one of his relatives, and that person notarized that will.

This transaction is exempt from the Real Estate Transaction Tax as the will is notarized, which is consistent with the rules stipulated in the exemptions mentioned in the Real Estate Transaction Tax Law and its Implementing Regulations.

5.1.9. Temporary Real Estate Transaction for the purpose of using it as a guarantee for financing or credit from a licensed entity, as long as the property subject of the guarantee or credit is not permanently transferred.

This exemption aims at not imposing tax on real estate operations in which the property is temporarily transferred to the financier or creditor as a guarantee for the repayment of the debt, with the existence of evidence proving that the operation represents a temporary transfer of the property that ends with the repayment of the debt by the person, and not a permanent transfer to the financier or creditor for the purpose of collecting the financing or credit for his debt. The exemption also includes the case of the second transfer of the property's ownership to its original owner (from the financier or creditor to the debtor) after the full repayment of the due debt.

Example (31)

A person wanted to obtain a loan from a licensed financing entity, and the entity required the transfer of his residential property's ownership to its name as a guarantee until the person fully repays the loan value plus the credit interest.

This transaction is exempt from the Real Estate Transaction Tax as the property here is transferred temporarily until the repayment of the due debt to the financing entity, and then returns to the owner once again.

Example (32)

Assuming that in the previous example, the person was unable to repay the loan, and consequently, the financing entity obtained the property as a means of debt recovery.

In this case, this transaction is subject to Real Estate Transaction Tax, as the transfer of the property's ownership has become permanent and not temporary; therefore, the exemption stipulated in the Implementing Regulations does not apply to this transaction.

The exemption for the temporary transaction of real estate for the purpose of using it as a guarantee for financing or credit also includes cases in which property ownership is transferred between a number of banks or financing entities as part of debt transfer operations among them, which take place according to financial lease contracts. Under these contracts, the creditor (the bank) has the right to transfer the debt (the remaining unpaid amount including the financing cost) to another bank, or to a refinancing company, with the property being permanently transferred to the final beneficiary after full payment of the remaining amount to the financing company to which the financing contract was transferred.

Example (33)

An individual purchased a residential property through a Lease Contract (Ijara) with an Islamic bank, provided that the property value and the financing cost are paid in periodic installments for a period of fifteen years. After paying the installments for the first three years, he received an offer from another bank to transfer the Lease Contract (Ijara) (the debt) to it in exchange for reducing the financing cost for the remaining period. Accordingly, the property ownership was transferred from the first bank to the second bank.

This operation is considered a temporary transfer of the property from the first bank to the second bank for the purpose of using the property title deed as a guarantee for the repayment of the due debt to the final beneficiary, and it is exempt from Real Estate Transaction Tax.

The exemption for the temporary transaction of real estate for the purpose of using it as a guarantee for financing or credit also includes cases in which property ownership for a group of real estate properties is transferred as a portfolio comprising a number of properties from one client to a new financier or to a refinancing company.

Example (34)

An institutional real estate refinancing company in the Kingdom, in agreement with a bank, purchased a portfolio representing 100 Lease Contracts (Ijara) concluded with a number of the bank's clients. Under this agreement, the refinancing company will pay the value of those contracts to the bank after obtaining a discount percentage agreed upon with the bank, calculated based on the financing cost. The bank shall transfer the ownership of all title deeds related to those contracts to the refinancing company, which in turn will collect the remaining installments from the final beneficiaries and then transfer the title deeds to their names after full payment of the due installments.

This entire transaction is considered a temporary transfer of the property from the first bank to the second bank for the purpose of using the property title deed as a guarantee for the repayment of the due debt to the final beneficiary; therefore, it is exempt from Real Estate Transaction Tax.

5.1.10. Real Estate Transaction prior to the effective date of the Real Estate Transaction Tax, in implementation of Lease Contracts (Ijara) for the purpose of ownership, and financial lease contracts.

This exemption aims at not imposing Real Estate Transaction Tax on transactions related to real estate where ownership is transferred at the competent authority as a result of Lease Contracts (Ijara) for the purpose of ownership and financial lease contracts concluded before the effective date of the Real Estate Transaction Tax. These properties might have been subject to Value Added Tax (VAT) in the event that the property was possessed by the final beneficiary after the effective date of the VAT Law in the Kingdom in 2018, and might not have been fully subject to the tax in the event that the contracts were concluded and the property was possessed by the final beneficiary before that date. In all cases, the real estate transfer process that will take place at the Notary Public in implementation of those contracts and transactions is exempt from Real Estate Transaction Tax.

Example (35)

An individual purchased a real estate through Islamic Ijarah in 2012, and in 2022, the real estate was transferred to his name after full payment of the due installments on the real estate.

This transaction is not subject to Real Estate Transaction Tax according to the exemption stipulated in the tax's issuing instrument, as the Lease Contract (Ijara) was concluded and the property was possessed before the effective date of the Real Estate Transaction Tax.

5.1.11. Temporary Real Estate Transaction for the purpose of transfer between an investment fund and a trustee or vice versa, or between trustees of the same fund.

This exemption aims at not imposing tax on temporary transactions for the transfer of real estate between the investment fund and the trustee, or vice versa, or between trustees of the same fund. This is because it is customary for real estate investment funds not to own real estate directly due to the absence of an independent legal personality for the fund; therefore, a custody company is established for the purpose of registering the ownership of those real estate properties. In some cases, the trustee is changed to another trustee, and the transfer of ownership in these cases is not considered a permanent transaction for tax purposes; therefore, it is not subject to Real Estate Transaction Tax, provided that this is carried out according to the provisions of the Capital Market Law and the regulations and instructions issued pursuant thereto.

5.1.12. Real Estate Transaction as an in-kind contribution to the capital of a company established in the Kingdom, provided that the shares or interests corresponding to the contribution are not disposed of for five years from the date of ownership, and that the company maintains audited financial statements by a certified external auditor during this period.

This exemption aims at facilitating transactions intended to increase companies' capital as in-kind contributions of real estate, while setting a requirement to retain the corresponding shares or interests for a period of no less than five years from the date of ownership. Companies must also maintain audited financial statements by a certified external auditor throughout this five-year period to prevent misuse of this exemption.

Example (36)

An individual intended to join a joint-stock company as a partner with several other shareholders. They agreed that he would provide one of the buildings he owns, valued at SAR 5,000,000, in exchange for his share in the company's capital, receiving shares for that amount. The individual agreed, and the real estate was transferred to the company's benefit, receiving shares equal to SAR 5,000,000 on October 15, 2020.

This transaction is not subject to Real Estate Transaction Tax according to the provisions of the Real Estate Transaction Tax Law and its Implementing Regulations. It is required that this person retains the shares for five years, and the company must maintain audited financial statements by an external auditor throughout those five years.

Example (37)

Assuming that in the previous example, this person sold the shares on November 15, 2025.
In this case, the exemption obtained from Real Estate Transaction Tax in 2020 remains valid, as the sale of shares occurred more than five years after the date of obtaining them.

Example (38)

Assuming that in the previous example, this person sold the shares on November 15, 2024.
In this case, since the person sold the shares before the lapse of five years, the exemption obtained for the real estate transaction in 2020 will no longer apply. The transaction that took place by transferring ownership of the building to the joint-stock company in 2020 becomes subject to Real Estate Transaction Tax.

5.1.13. Real Estate Transaction where one of the parties is a foreign government, an international organization, a diplomatic or military mission, or a member of the diplomatic, consular, or military corps accredited in the Kingdom, on condition of reciprocity.

This exemption aims at not imposing tax on real estate whether its Assigner or Assignee are such entities, provided that the principle of reciprocity is applied by the countries represented by those governments, organizations, and missions to the Kingdom's representatives in those countries.

Example (39)

An embassy in the Kingdom intended to move its headquarters; it sold its old headquarters building for SAR 4,000,000 and purchased a new building for SAR 6,000,000.

The transaction involving the sale of the embassy's old headquarters is not subject to Real Estate Transaction Tax. Also, the embassy's purchase of the new building is not subject to Real Estate Transaction Tax, provided that it is confirmed that the Saudi diplomatic mission receives the same treatment in the country to which that embassy belongs (i.e., it is exempted from any tax imposed in that country on the purchase or sale of real estate). This is in accordance with the exemption stipulated in the Real Estate Transaction Tax Law and its Implementing Regulations regarding the exemption of real estate transactions where one of the parties is a government, mission, or diplomatic, consular, or military representative, on condition of reciprocity.

5.1.14. Real Estate Transaction that was subject to Value Added Tax (VAT) before being notarized, in case the notarization takes place after the effective date of the Real Estate Transaction Tax Law.

This exemption aims at not imposing Real Estate Transaction Tax on real estate transactions that were concluded before the effective date of the Real Estate Transaction Tax Law and were already subject to VAT at the time of contract, so that the tax is not imposed twice (once as Value Added Tax and again as Real Estate Transaction Tax).

Example (40)

An individual purchased a property through an Islamic Ijarah contract, and the possession of the property was transferred to that person from the supplier (the financing institution) on September 5, 2019. The supplier declared VAT at a rate of 5% on the date of signing the Ijarah contract. In 2024, the property was transferred in the beneficiary's name after full payment of all installments.

This transaction is not subject to Real Estate Transaction Tax according to the exemption stipulated in the Law, as the transaction had already been subject to Value Added Tax upon transfer of ownership and possession to that person.

5.1.15. Real Estate Transaction by any partner in a company involving a real estate transaction ~~r~~epresented in transferring the property in the company's name without notarizing it.

Any partner in a company who performed a real estate transaction ~~r~~epresented in transferring the property in the company's name without notarizing it ~~is~~ granted a grace period of one Hijri year from the date of the Law's effectiveness to notarize that transaction and provide the Zakat, Tax and Customs Authority with supporting evidence. In this case, the transaction is exempted from Real Estate Transaction Tax, provided the property was proven to be among the company's assets before the effective date of the Real Estate Transaction Tax Law, and that the Assigner submits audited financial statements or a certificate from a licensed legal accountant proving the inclusion of the property within the company's assets from the date of the transaction until the date of the tax effectiveness.

Example (41)

An individual transferred ownership of a property he owned to a company in which he is a partner in August 2015. It was included in the company's certified financial statements, but the property was not transferred in the company's name until June 10, 2025 (i.e., after the effective date of the Real Estate Transaction Tax and during the corrective period).

In this case, Real Estate Transaction Tax is not imposed on this transaction, as its occurrence was proven before the tax application and according to the company's certified financial statements. The burden of proof before the Authority lies with the Assigner.

Example (42)

A former partner previously transferred ownership of a property he owned to a company in which he was a partner in August 2015. The property was included in the company's certified financial statements. In August 2020, the aforementioned partner exited the company before the property was transferred in the company's name. The property was subsequently transferred from the former partner to the company in November 2025.

In this case, Real Estate Transaction Tax is not imposed on this transaction, as its occurrence was proven before the tax application and according to the company's certified financial statements, and while the former partner was still a partner in the company.

5.1.16. Real Estate Transaction conducted in enforcement of a forced sale order issued by a competent court:

When a property is sold by an order from a competent court in cases of liquidation, or administrative liquidation under the Bankruptcy Law and its Implementing Regulations, such transaction is exempted from Real Estate Transaction Tax. This exemption aims to facilitate and organize real estate transaction operations that take place by order of the competent court according to liquidation procedures, ensuring the speed of execution of the sale and accelerating the debt repayment process.

Example (43)

A commercial company filed for bankruptcy proceedings due to its inability to pay its debts and fulfill its financial obligations. The competent court issued a forced sale order for one of the company's properties within the liquidation procedures. Based on this order, the sale was executed directly by the concerned liquidation entity. In this case, the real estate transaction is exempted from Real Estate Transaction Tax.

5.1.17. Real Estate Transaction resulting from mergers and acquisitions between legal persons:

Real estate transactions resulting from mergers or acquisitions between legal persons are considered within the scope of transactions exempted from tax, provided certain conditions are met to qualify for the exemption.

(A) Real Estate Transaction resulting from merger operations between legal persons:

For Real Estate Transaction Tax purposes, a merger means: the merging of one or more existing legal persons into another existing legal person, or the merging of two or more existing legal persons to establish a new legal person, in accordance with any laws regulating merger operations in the Kingdom. Accordingly, the transfer of properties resulting from this merger is treated as an exempted real estate transaction, depending on what has been merged, as follows:

1) The consideration for the merger must be limited to interests in the surviving legal person, or the one resulting from the merger, without including any cash or in-kind consideration—where applicable:

Meaning that the merger process must not exceed the framework of exchanging interests as the sole consideration for the merger, where the consideration is limited to the partners or shareholders receiving shares or interests in the surviving legal person or the newly formed entity, without including any other cash or in-kind consideration.

Example (44)

A partner received SAR 100,000 in cash + interests in the newly formed legal person in exchange for completing the merger process.

Consequently, the transaction in the interests is subject to Real Estate Transaction Tax because the consideration for the merger was not limited to interests only, but also included other cash consideration.

2) Proportionality of the interests received by the owners of the merged legal person with their ownership rights before the merger:

It is understood from this that the exemption is only established in cases where the merger process is carried out in a way that maintains the relative distribution of ownership rights. Therefore, any change in the proportionality of interests for any of the owners after the merger will result in the transaction in the interests being subject to Real Estate Transaction Tax.

Example (45)

If one of the owners owned 40% of the ownership rights in a legal person (the merged entity), and was then allocated 10% of the interests in the surviving entity, and that interest represented approximately 60% of his ownership rights in the merged entity.

This discrepancy in interests results in the merger losing its condition for exemption, as the lack of proportionality in the interests is considered a breach despite the absence of in-kind consideration. Consequently, the transaction is subject to merger operations for Real Estate Transaction Tax purposes.

3) The interests in the surviving legal person, or the one resulting from the merger, must remain owned—directly or indirectly—by the same partners or shareholders for a period of at least five (5) years from the date of the merger.

Partners or shareholders must retain their shares or interests in the surviving legal person or the entity resulting from the merger for five years from the date of the merger, whether the ownership was direct or indirect, unless the transfer of interests within the merger or subsequent acquisition meets the terms of tax exemption.

Example (46)

Ahmed—one of the shareholders involved in the merger—executed a transfer of his interests only two years after the merger. This transfer of interests is considered a violation of the retention condition. Consequently, the first transaction resulting from the merger and the second resulting from Ahmed's transfer of interests are subject to Real Estate Transaction Tax, while taking into account the tax due dates.

4) The exemption does not include any other consideration—whether cash or in-kind—received by the partner or shareholder objecting to the merger.

The scope of the exemption does not extend to any other consideration received by the partner or shareholder objecting to the merger, as the scope of the exemption is limited to real estate transactions related to the completion of the merger according to the Companies Law—where applicable—and does not include cash amounts or assets given to the partner or shareholder as compensation for their share or as consideration for their withdrawal.

Example (47)

Abdullah—one of the shareholders participating in the merger—refused to participate and was given a cash amount and an in-kind asset in exchange for his exit and the waiver of his share. Therefore, the consideration is not treated as part of the merger process and is considered a real estate transactions ubject to Real Estate Transaction Tax.

(B) Real Estate Transaction resulting from acquisition operations between legal persons:

For Real Estate Transaction Tax purposes, acquisition means: any process carried out through the exchange of interests —including securities— resulting in the acquisition of all the interests of a real estate company, provided that both the Assigner and the Assignee are legal persons. Accordingly, the transfer of properties or interests in the real estate company resulting from this acquisition is treated as an exempted real estate transaction, provided the acquisition meets the following:

1. The consideration for the acquisition must be limited to interests in the acquiring person, without including any cash or in-kind consideration.

2. The owners of the acquired person must retain the interests they received in exchange for the acquisition in the acquiring person for a period of at least (5) years from the date of registration or ownership of those interests.

3. The acquisition process must be completed through a single transaction.

The transfer of interests as part of a subsequent merger or acquisition that meets the same specified criteria is not considered a violation of the interest retention condition.

Example (48)

Company (A) acquired Company (B), where both parties agreed to grant the owners of Company (B) interests in Company (A), provided that the deal is executed in several stages. 70% of the interests were transferred first, followed by the transfer of the remaining portion. This makes the acquisition fail to meet the condition of being completed through a single transaction; consequently, the transfer of interests resulting from it is subject to Real Estate Transaction Tax

5.1.18. Real Estate Transactions conducted by a natural person for the benefit of a company or investment fund established in the Kingdom, provided that such person, directly or indirectly, owns all the company shares or interests or the fund units and that no change occurs in the percentage of his ownership of the company or the fund for a period of at least five (5) years from the date of the transaction

Example (49)

Ahmed (the Assigner) transferred a property for the benefit of his 100% owned company (or his 100% owned fund), and his full ownership percentage in the company or fund did not change for a period of (5) years from the date of the real estate transaction. Accordingly, this transaction is exempted from Real Estate Transaction Tax.

Example (50)

Ahmed (the Assigner) transferred a property for the benefit of Company (B), which is 100% owned by Company (A), which in turn is 100% owned by Ahmed. Ahmed's indirect ownership in Company (B) did not change for a period of (5) years from the date of the real estate transaction. Accordingly, this transaction is exempted from Real Estate Transaction Tax.

Real estate transactions that occur when a person transfers properties they own for the benefit of companies or investment funds established in the Kingdom, which they own directly or indirectly, are exempted.

5.1.19. Real Estate Transactions conducted between two companies established in the Kingdom, where one of such companies, directly or indirectly, owns all the company shares or interests of the other company; or transactions between a company and an investment fund established in the Kingdom, where the company, directly or indirectly, owns all the fund units; or transactions between companies or investment funds established in the Kingdom, whose company shares or interests or units are owned, directly or indirectly, by the same person; provided that all the company shares or interests of the Assignee company or the fund units of the Assignee fund—directly or indirectly—remain owned by the same person for a period of at least five (5) years from the date of the real estate transaction

Example (51)

A company transferred a property for the benefit of one of its 100% owned companies. No change occurred in the ownership percentage of the company to which the property was transferred for a period of (5) years from the date of the real estate transaction. Accordingly, this transaction is exempted from Real Estate Transaction Tax.

Example (52)

Company (A) conducted a real estate transaction by transferring a property for the benefit of a 100% owned investment fund–owning all its units–provided that the ownership percentage of the fund does not change for a period of (5) years from the date of the real estate transaction. Accordingly, this transaction is exempted from Real Estate Transaction Tax.

Example (53)

Company (A) transferred a property for the benefit of Company (C), which is 100% owned by Company (B), which in turn is 100% owned by Company (A) at a rate of 100%. The indirect ownership of Company (A) in Company (C) did not change for a period of (5) years from the date of the real estate transaction. Accordingly, this transaction is exempted from Real Estate Transaction Tax.

Example (54)

Company (B) conducted a real estate transaction by transferring a property for the benefit of Company (C). Since both companies (B and C) are 100% owned by Company (A), and noting that no change occurred in the ownership percentage of Company (A) in Company (C) for a period of (5) years from the date of the real estate transaction, accordingly, this transaction is exempted from Real Estate Transaction Tax.

This exemption aims to encourage persons to restructure their businesses without incurring financial burdens, while taking into account that real estate transactions occurring between companies, or between companies and funds, must be 100% owned by the same person, with the continued full ownership in the company to which the property was transferred for a period of (5) years from the date of the real estate transaction to benefit from this exemption.

5.1.20. Real estate transactions conducted by any person for the benefit of a real estate developer licensed to engage in off-plan sale and leasing activities, in accordance with the laws, regulations, and instructions applicable in the Kingdom; provided that the real estate is allocated to one of the off-plan sale projects and a licensing decision has been issued for it by the competent agency:

Example (55)

A person conducted a real estate transaction by transferring the ownership of a property for the benefit of a real estate developer licensed to engage in off-plan sale activities, and that property was licensed for an off-plan sale project.

This exemption aims to support off-plan sale projects when the conditions for exemption are met, which are:

(A) The real estate developer must be licensed to engage in off-plan sale and leasing activities in accordance with the laws, regulations, and instructions applicable in the Kingdom, on or before the date of the real estate transaction.

(B) The real estate subject to the transaction must be allocated to one of the off-plan sale projects, and a licensing decision must have been issued for it by the competent agency, on or before the date of the real estate transaction.

(C) In the event that the licensing decision has not been issued by the competent agency on or before the date of the real estate transaction, the Assigner is granted a grace period of (90) days from the date of the real estate transaction to submit the licensing decision to the Authority, provided that the Assigner pays the due tax or provides a cash or bank guarantee to the Authority equivalent to the amount of tax due on the date of the real estate transaction or before it.

(D) If the license is issued within (90) days, the provided guarantee is fully refunded, or the paid tax becomes refundable in accordance with the provisions of these Regulations, where applicable.

(E) In the event that the license is not issued or is not submitted to the Authority within (90) days, the Authority shall liquidate the provided guarantee as payment for the due tax, and no tax paid after the expiration of the grace period may be refunded.

5.1.21. Real estate transactions conducted without a consideration for the benefit of a company or investment fund established in the Kingdom, where all the company shares or interests or the fund units are, directly or indirectly, owned by an endowment that benefits public or private beneficiaries or a public-private endowment, provided that no change occurs in the percentage of endowment ownership in the company or the fund for a period of at least five (5) years from the date of the real estate transaction

Example (56)

A real estate transaction was conducted without a consideration for the benefit of a company 100% owned by a charitable or family (private) endowment, with the full ownership of the endowment in that company continuing for a period of (5) years from the date of the real estate transaction.

This transaction is exempted from Real Estate Transaction Tax provided that the endowment owns all the company shares or interests in the company, and maintains the ownership of the endowment in the Assignee company for a period of (5) years without change from the date of the transaction.

5.1.22. Transactions where a transferred real estate is returned to its previous owner as a result of canceling the real estate transaction, previously notarized by a notary public or licensed notary, by mutual consent of the parties within a period not exceeding (90) days from the date of notarization of the real estate transaction subject of the cancelation, provided that no change is made to the real estate and that the full amount of the transaction is refunded

Example (57)

The buyer and the seller agreed by mutual consent to cancel the real estate transaction between them, return the real estate, and refund its full value.

This transaction is not subject to Real Estate Transaction Tax in accordance with the exemption stipulated in the Real Estate Transaction Tax Law and its Regulations, in the event that the cancellation was by mutual consent within (90) days from the date of the notarization of the real estate transaction subject of the cancellation, and provided that the buyer returns the property in its description as it was at the time of the notarization of the transaction subject of the cancellation, and the seller refunds the full amount

5.1.23. Real estate transactions resulting from initial public offerings of securities listed in the Capital Market, trading of securities listed in the Capital Market, acquisition of shares in listed joint-stock companies, and trading of units in unlisted investment funds with less than (50%) of the fund's units.

This exemption aims to exempt real estate transactions resulting from the transfer of interests in real estate companies listed in the Capital Market. It also extends to include unlisted investment funds to which the description of a real estate company applies in accordance with the provisions of the Real Estate Transaction Tax Law and its Implementing Regulations, provided that the resulting real estate transaction represents an interest of less than (50%) of the fund's units.

Example (58)

An investor purchased shares in a real estate company listed in the Capital Market.
This transaction is considered exempt, as the real estate transaction occurred due to the purchase of shares in a real estate company listed in the Capital Market.

Example (59)

An investor sold a number of units representing (10%) of the total of an unlisted fund in the Capital Market to which the definition of a real estate company applies in accordance with the provisions of the Real Estate Transaction Tax Law and its Implementing Regulations.
This transaction is considered exempt, as the total real estate transaction did not exceed (50%) of the investment fund's units.

The following shall not be deemed a violation of the condition of not transferring the corresponding interests or shares for the tax-exempt real estate transaction:

1. The change in ownership percentage through an initial public offering of the shares of the company to which the property was transferred, or the units of the fund to which the property was transferred, in accordance with the provisions of the Capital Market Law and the regulations and instructions issued pursuant thereto.

2. The exempt real estate transaction conducted in accordance with the provisions of the Law and these Regulations in execution of a forced sale order issued by a competent court.

3. The transaction resulting from cases of exempt merger and acquisition in accordance with the provisions of the Law and these Regulations, provided that the resulting interests are maintained for the period necessary to complete the periods mentioned in the relative exemptions.

Example (60)

(A) A person conducted a real estate transaction by transferring the ownership of a property to a company fully owned by him (100%), while maintaining the time restriction of no change occurring in his full ownership percentage in the assignee company for a period of (5) years. This person wishes to transfer the ownership of the property by offering his owned company for an initial public offering before the lapse of the (5) year period.

(B) A company conducted a real estate transaction by transferring the ownership of a property to a company fully owned by it (100%), while maintaining the time restriction of no change occurring in its full ownership percentage in the assignee company for a period of (5) years. The company wishes to merge with another company before the lapse of the (5) year period, provided that the merger process is completed in accordance with the provisions of the Real Estate Transaction Tax Law and its Implementing Regulations

5.1.24. Real estate transactions conducted as an in-kind contribution to the capital of a real estate investment fund, in accordance with the provisions of the Capital Market Law and the regulations and instructions issued pursuant thereto.

Real estate transactions conducted as an in-kind contribution to the capital of a real estate investment fund are exempted in accordance with the provisions of the Capital Market Law and the regulations and instructions issued pursuant thereto, provided that the corresponding units of the fund for the in-kind contribution are not transferred until the termination of the fund or its liquidation, or for a period of at least five (5) years from the date of the ownership of the units, whichever is earlier.

Example (61)

A person subscribed to a real estate investment fund established for the purpose of developing and re-selling real estate, by providing one of the properties he owns as an in-kind contribution to the fund's capital.
In this case, Real Estate Transaction Tax is not imposed on providing the property as an in-kind contribution to the fund, provided that the corresponding interests for the in-kind contribution are not transferred until the termination of the fund, or for a period of 5 years if the fund continues for a longer period.

5.2. A real estate transaction is subject to tax only once

This rule represents a general principle whereby the same real estate transaction may not be subject to Real Estate Transaction Tax more than once, provided that several conditions are collectively met, which are:

1. No change occurs to the parties of the transaction, whether by replacement or amendment.

2. No change or amendment occurs to the real estate subject of the transaction, and the real estate remains in its same condition.

3. No change or amendment occurs to the value of the real estate subject of the transaction.
In the event of a breach of any of the above conditions, the transaction is considered a new transaction and shall be subject to Real Estate Transaction Tax.

The same transaction is not subject to tax more than once in accordance with the provisions of the Law and the Regulations, even if the first transaction was conducted between the parties of the real estate transaction. The Authority considers transactions related to Islamic Ijara contracts, and similar transactions involving two transfers under a single deed involving different parties in which the parties, the real estate, and the value are identified, as an exceptional treatment. These contracts involve more than one transfer of the same real estate with the aim of transferring its ultimate ownership to the final beneficiary. Therefore, the subsequent transaction on the first transaction subject to tax is not considered for the purpose of avoiding the repetition of the tax imposed on the same real estate and with the same value (since the implicit profit margin is not included in any case within the value of the real estate for the purposes of calculating the due tax). This case is among the cases in which the tax is not applied, as mentioned in paragraph (L) of Article Two of the Implementing Regulations of the Real Estate Transaction Tax Law.

Example (62)

A person purchased a real estate through Islamic Ijara contract, and the ownership was transferred from the first owner (the real estate development company) to the financing entity which purchased the real estate in its name based on the beneficiary's request, in accordance with the applicable rules. On December 5, 2020, the developer paid the Real Estate Transaction Tax at a rate of 5% in the first transaction. In 2030, the real estate was transferred to his benefit after paying all due installments on the real estate.

The tax does not apply to the second transaction represented in transferring the real estate to that person, in accordance with the provision of paragraph (L) of Article Two of the Implementing Regulations, as the real estate transaction previously settled the tax, and the transfer of ownership and possession was previously subject to the tax by the person in December 2020.

6. Implementing mechanism of real estate transaction services

In normal cases, and in accordance with the procedures for the real estate transaction service that must be completed before finishing the transfer and notarization process at a notary public or a certified notary, or when conducting real estate transactions that do not require notarization, such as: long-term usufruct rights exceeding 50 years; the assignor visits the Authority's website (zatca.gov.sa) and selects the Real Estate Transaction Tax service, then enters the data, deed number, or the contract creating the transfer, as shown in this Guideline.

Then, the assignor discloses the nature and type of the real estate, and whether the transfer is legally exempt or not. Accordingly, the Authority calculates the tax amount due and issues a payment invoice at a rate of 5% of the transfer value, to be paid before the transfer, even if the assignor and assignee agree that the assignee pays it before the transfer, while emphasizing that the person liable to the Authority is the assignor.

Consequently, the assignor—whether an individual or an entity—can enter the deed data or the real estate contract, disclose the nature of the transfer, and then the invoice is issued and the tax amount is paid as a requirement to complete the transfer process at the notary public, relevant notarization entities, or the completion of the real estate transaction notarization, thanks to the electronic link with the Ministry of Justice.

Procedures for the Ministry of Justice

Upon payment of the invoice referred to above, the notary public or the relevant notarization entity completes the transfer process, notarizes the contract, and notifies the seller of the completion of the process.

Mechanism for the State Bearing the Real Estate Transaction Tax for the First Home

The Authority and the Ministry of Municipalities and Housing clarified in a joint statement that the buyer—the beneficiary of the state's initiative to bear the Real Estate Transaction Tax for the first home—obtains a "First Home" certificate from the electronic portal of the Ministry of Municipalities and Housing (www.housing.gov.sa), which they provide to the seller. Then, the latter logs onto the electronic portal of the Zakat, Tax and Customs Authority (zatca.gov.sa), selects the (Real Estate Transaction Tax) service, and then (Request to Register a Real Estate). After entering the real estate and buyer data, the Authority will verify the buyer's eligibility for support. Then, the tax amount is exempted for sale amounts up to (1,000,000 SAR), and a 5% tax is imposed on any amount exceeding (1,000,000 SAR)

7. Fines and Penalties

7.1. Fines

The Authority may impose fines and penalties on persons subject to tax for violating the provisions and conditions of the Real Estate Transaction Tax Law and its Implementing Regulations.

Violation Description	Fine
The following violations shall be deemed tax evasion in accordance with the provisions of Articles 14 and 15 of the Real Estate Transaction Tax Law, unless the contrary is established by the violater: 1. Submitting forged, fabricated, or false documents, information, or records, or the like, which relate to a real estate transaction with the intent to evade the payment of the tax due; the burden of establishing the absence of such intent falls on the person subject to tax. 2. Committing any other act with the intent to evade the payment of the tax due. 3. Any person established to have participated or aided and abetted another person in tax evasion shall be subject to the same penalties mentioned in this Article. In the event it is proven that any person aided the assignor in any form of tax evasion, such person shall be considered a partner in the tax evasion incident, and the Authority has the right to refer such person to the specialized committee to apply the penalties related to evasion stipulated in Article 9 of the Implementing Regulations.	A fine not exceeding three times the amount of the tax subject of the evasion.

Violation of any provision of the Real Estate Transaction Tax Law and its Implementing Regulations. This includes, for example but not limited to, refusing to provide the data and documents requested by the Zakat, Tax and Customs Authority from the assignor and assignee regarding the real estate transaction subject to tax.	A fine not exceeding the amount of the tax due or fifty thousand riyals (50,000 SAR), whichever is greater.
Failure to pay the tax due within the legally specified period.	A fine equal to (2%) of the unpaid tax amount for each month or part thereof for which the tax remains unpaid, provided it does not exceed (50%) of the unpaid tax amount. Calculation of the fine shall commence from the day following the expiration of the period set for payment of the tax due.
In the event the Authority amends the amount of the unpaid tax due.	An additional fine equal to (1%) of the unpaid tax amount for each month or part thereof shall be imposed.

The Authority sets the level of the fine or penalty imposed by the Authority on the person subject to tax, according to a classification set by the Board for violations and corresponding penalties. Additionally, penalties are signed by a decision of the Governor of the Authority, and the imposition of penalties does not preclude the collection of the tax due.

7.2 Transitional Provisions for Transactions Concluded Before the Effective Date of the Real Estate Transaction Tax Law and its Implementing Regulations.

Regarding real estate transactions for which tax became due prior to the effective date of the Law, the Authority shall have the power to verify the value of the transaction, recalculate the due tax, and claim its payment according to specific limitation periods. The Authority shall exercise this power within a period not exceeding three (3) years in the following cases:

1. Disclosed Transactions to the Authority:

The Authority has the right, within three (3) years from the effective date of the Law, to verify the value of the real estate transaction, recalculate the due tax, and claim its payment if it is established that the disclosed value is less than the fair market value, regarding the transactions that were registered with the Authority before the Law became effective.

2. Undisclosed Transactions:

The Authority has the right, within three (3) years from the date of its knowledge of the real estate transaction or from the effective date of the Law—whichever is later—to verify the value of the transaction, recalculate the due tax, and claim its payment when it is established that the value dealt with is less than the fair market value, regarding transactions that were not disclosed to the Authority before the Law became effective.

3. Non-prejudice to the Authority's rights when there is a violation of the restrictions of the exemptions effective before the Law:

The aforementioned limitation periods shall not affect the Authority's right to claim payment of the due tax if the statutory restrictions related to exemptions under the regulations effective at the time of the transaction are violated.

Treatment of Fines for Periods Prior to the Law:

Regarding the tax due for real estate transactions prior to the effective date of the Law, the fines for non-payment or delay shall be subject to the provisions contained in the previous Implementing Regulations for Real Estate Transaction Tax (issued by Ministerial Resolution No. 712) and its amendments, for the period prior to the Law. As for fines related to the period following the Law's effectiveness, they shall be calculated according to the provisions of the Law and the current Implementing Regulations. In all cases, the amount of the calculated fines may not exceed 50% of the value of the unpaid tax after the effective date of the Law.

Tax Refund Period Related to the Previous Regulations

A specific period is granted for refunding the tax that may be refunded according to the provisions of the previous Implementing Regulations for Real Estate Transaction Tax (issued by Ministerial Resolution No. 712 and its amendments). The refund request must be submitted within a period not exceeding twelve (12) months from the effective date of the Law, or within sixty (60) days from the date of a final decision issued by the competent judicial authority, or from the date of a settlement decision with the Authority regarding the real estate transaction, whichever is later

7.3 Examples of Tax Evasion Violations

Article (14) of the Real Estate Transaction Tax Law clarifies the cases that are considered tax evasion, unless the violator proves otherwise.

Tax Evasion Cases	Example Thereof
Providing incorrect data regarding the value of the real estate transaction, resulting in non-payment of the due tax in full or in part.	The assignor submitting forged documents to obtain any of the exemptions from Real Estate Transaction Tax.
Resorting to any scheme or means, regardless of its type, nature, or character, resulting in non-payment of the due tax in full or in part.	Manipulating land areas in maps and deeds when partitioning land from the actual reality for the purpose of tax evasion in full or in part.
Any procedure or other act resulting in non-payment of the due tax in full or in part.	If it is established to the Authority that the exceptional cases stipulated in the Law are being exploited unlawfully for the purposes of tax evasion.
The same penalties referred to in this Article shall apply to any person who participates or shares with the violating person in tax evasion.	If an agreement is made between the two parties for the assignor to provide forged documents for the purpose of tax evasion

8. Objection to the Authority's Decisions

Article (2) of the Zakat, Tax, and Customs Committee Procedures clarifies that any person against whom a decision has been issued by the Authority has the right to object to it before the Authority within (60) days from the date of notification. The Authority must decide on the objection within (90) days from the date of its submission. If a decision is issued by the Authority rejecting the objection, or if the (90)-day period lapses without a decision being made, the taxpayer has the right, within (30) days from the date of being notified of the Authority's rejection of his objection or the lapse of the (90)-day period without a decision, to do any of the following:

1. Request the referral of the objection to the Internal Committee for Settlement. If the taxpayer rejects the decision of the Internal Committee regarding the settlement, or if the period specified in the settlement rules lapses without reaching a settlement, the taxpayer may file a grievance lawsuit before the Committee for Resolution within (30) days from the date of being notified of the Internal Committee's decision or the lapse of the period specified in the settlement rules without reaching a settlement; his lawsuit shall not include anything that has been settled with the Internal Committee.

2. File a grievance lawsuit directly before the Committee for Resolution.

Article (13) of the Regulations clarifies that if a person submits a grievance and the Authority has evidence or reasons to believe that the person may not pay the tax subject to the grievance, the Authority may request the person to provide a cash or bank guarantee for a maximum amount equal to the unpaid tax and related fines, in accordance with the rules issued by the Board regarding the guarantee request.

9. Powers of the Zakat, Tax and Customs Authority

9.1. Recalculating the Value of the Due Tax

The Implementing Regulations of the Real Estate Transaction Tax Law have granted the Authority several powers enabling it to manage the tax and verify the correctness of the tax calculation. Among these powers is the Authority's right to verify the value of real estate or transactions conducted, and to estimate the value of real estate and transactions, especially in the case of transactions conducted between related persons, transactions where the consideration is partitioned between the real estate and other assets, transactions involving non-cash consideration, and transactions where the value is unknown or unspecified. Also, any transactions that were not subjected to notarization or disclosed and where there is suspicion of manipulation in the value of the real estate transaction, or any other cases of tax evasion. The power to recalculate the tax extends to cases where the Authority deems the transaction value to be less than the fair market value.

And for such purpose, the Authority shall also have the right to request any information for the purposes of applying the tax, including coordination with government agencies in everything related to the implementation of the provisions of the Regulations, and requesting any information related to the tax. This information is maintained by a third party, whether this party is a government agency, financial institution, or supervisory body. All persons must provide the Authority with any information requested for the purpose of proving tax obligations related to them.

9.2. Inspection of Real Estate Transactions

The Authority enjoys the power to inspect real estate transactions and verify their value according to Paragraph (C) of Article (11) of the Implementing Regulations of the Real Estate Transaction Tax Law. This power entitles it to conduct inspections at the Authority's headquarters, the taxpayer's place of business, or the site of the inspection. This is provided that the person is notified at least twenty days prior to the inspection. The Authority may perform the inspection without prior notice if there are logical reasons calling for it, or in the event of the person's non-cooperation regarding the inspection, by a decision from the Governor. This power includes entering the place of business or buildings of relevance, and reviewing and inspecting books, records, invoices, and accounting documents, as well as obtaining copies thereof. The documents must be returned upon request while adhering to their return within the specified period. Additionally, the Authority may enter any real estate known or believed to be subject to a real estate transaction for inspection purposes, with notification to the occupant of the real estate and its owner before entry.

This power also extends to inspecting records maintained in electronic systems, utilizing information available to the Authority or government agencies, and seeking assistance from publicly available data or data provided by third parties. It also includes taking necessary measures to obtain information in the event of non-cooperation, including temporarily seizing documents in cases of concealment or manipulation, and gathering evidence in case of suspected tax evasion with prior approval from the Governor. The Authority is committed to notifying the person under inspection after the completion of procedures and clarifying the inspection results and the reasons for any tax assessment resulting therefrom, in a manner that achieves actual verification of the correctness of the data related to real estate transactions and ensures compliance with the provisions of the Law and the Implementing Regulations.

9.3. The Authority's Right to Collect Tax

In the event of non-payment of the tax dues, which include the tax amount and final fines, the Authority shall implement the provisions stipulated in Articles (73, 74, 75, and 77) of the Income Tax Law issued by Royal Decree No. (M/1) dated 15 Muharram 1425 AH, to collect those tax dues.

10. Obligations of the Assignor of Real Estate

The Real Estate Transaction Tax Law and its Implementing Regulations stipulate a number of obligations upon the assignor of real estate, or the like, whether as a seller, donor, waiver, or grantor of a usufruct right. These obligations range from the requirement to register the real estate transaction on the Authority's dedicated platform for the Real Estate Transaction Tax service, to the payment of the tax and other obligations that will be discussed in further detail as follows:

10.1. Registration with the Authority's Platform for Real Estate Transactions

The assignor of the real estate, or the like, must—according to the provisions of the Real Estate Transaction Tax Law and its Implementing Regulations, regardless of the form of the transaction, whether it is a sale, gift, waiver, or grant of a long-term usufruct right exceeding 50 years—register that transaction on the platform of the Zakat, Tax and Customs Authority for the Real Estate Transaction Tax service. This includes clarifying all required data and information regarding the real estate, the location of the transaction, the transaction value, and its parties. This must be done before the notarization of the real estate at the Ministry of Justice or its notarization with the competent authority, in cases where the transaction is officially documented. As for informal documents that do not receive official notarization with the competent authorities in the Kingdom, this does not exempt the assignor from registration; rather, they must register that transaction on the Authority's platform for the Real Estate Transaction Tax service, and pay the tax within (30) calendar days from the date of the contract, agreement, or final conclusion of the transaction event.

10.2. Providing All Necessary Data for Calculating the Due Tax

In all cases, the assignor is responsible for providing all correct data and information that enables the Zakat, Tax and Customs Authority to calculate the Real Estate Transaction Tax correctly, in accordance with the provisions of the Implementing Regulations for Real Estate Transaction Tax, whether at the time of registering the transaction on the Authority's platform for the Real Estate Transaction Tax service, or upon the Authority's request when verifying the accuracy of the tax calculated for the transaction. This includes—but is not limited to—the true and correct value of the transaction, the parties to the transaction, the actual date of the transaction, and other necessary data to verify the correct application of the Implementing Regulations of the Real Estate Transaction Tax.

Furthermore, the assignor is responsible for submitting a request to correct the real estate transaction data via the electronic portal provided by the Authority for this purpose, within (30) days from the date of learning that the registered data is incorrect or upon the occurrence of any event that leads to a violation of the criteria and conditions for exemption from the Real Estate Transaction Tax.

10.3. Payment of Due Tax

The assignor is the person responsible for paying the Real Estate Transaction Tax to the Zakat, Tax and Customs Authority, in addition to any obligations arising therefrom, in accordance with the provisions of Paragraph (1) of Article (Seven) of the Real Estate Transaction Tax Law. This obligation of the assignor is not affected by any agreement to the contrary; that is, for the purpose of the assignor and assignee agreeing to have the assignee bear the Real Estate Transaction Tax, such an agreement between them does not relieve the assignor of their responsibility toward the Zakat, Tax and Customs Authority for payment. However, in cases where the Authority proves that the assignee was a cause for the non-payment of the due tax, they shall be held jointly liable with the assignor. Examples of such cases include:

The assignee and assignor arranging to reduce the due tax amount or not pay it within the specified time. Or the assignee performing any act that leads to a violation of the restrictions specified in these Regulations, resulting in the non-payment of the due tax or its reduction within the specified time. Or When the assignee is held jointly liable for the due tax, the Authority must notify both the assignor and the assignee of the due tax amount and its payment date.

The assignee must notify the Authority upon their payment of the tax, in which case they shall be jointly liable.

10.4. Completion of the Transfer Procedures with the Competent Authority (Notary Public)

After the assignor completes all registration procedures for the transaction on the Zakat, Tax and Customs Authority's platform for the Real Estate Transaction Tax service and obtains what proves such, they must proceed with the transfer of the real estate at the competent authority, noting that such authority will not allow the completion of the transfer until it has verified the registration of the transaction on the Authority's platform, the payment of the Real Estate Transaction Tax due on that transaction, or its exemption from the tax according to the provisions of Article (Three) of the Real Estate Transaction Tax Regulations.

10.5. Obligation to Maintain Records and Documents

Maintaining basic records is one of the essential obligations imposed by Article (Eleven) of the Implementing Regulations on the assignor, the assignee, or any representative thereof, in accordance with what is stated in Paragraph (G) of the same Article. Persons subject to the provisions of the Law are obligated to maintain all documents, books, and records related to the real estate transaction, including: notarization documents or ownership registration deeds, non-official documents related to the transaction, and records of payments related to the real estate transaction, as well as all documents and information necessary to prove the value of the real estate transaction and the due tax, in addition to documents proving fulfillment of the criteria and conditions for exemption from the tax. Persons who maintain commercial books are also required to keep records in books related to the transaction.

These records must be maintained within the Kingdom, whether in physical form or by accessing servers where the records are stored electronically, while taking necessary security measures to prevent tampering. The obligation to maintain records continues for a period of five (5) years from the date of the real estate transaction, without prejudice to any longer period imposed by any other law.

11. Refund of Real Estate Transaction Tax

The Law allows the assignor, or their representative, to submit a request for a refund of the tax paid in specific cases stipulated in Article (9) of the Implementing Regulations. These include tax paid in excess or by mistake, tax paid on an incomplete real estate transaction, or a transaction that was cancelled and its effects rectified. The refund request is submitted through the mechanism specified by the Authority, with the applicant committed to submitting the request within a period not exceeding twelve months from the date the tax payment became due in relation to the real estate transaction from which the refund situation arose, or within sixty days from the date of the issuance of a final judicial decision or a settlement decision with the Authority, whichever is earlier.

The Authority shall proceed with studying the refund request and verifying its supporting documents, and it may request any additional documents as needed. The Authority's decision to approve or reject the request, in whole or in part, shall be issued within thirty (30) days from the date of submitting the request. In the event of approval, the Authority is committed to completing the refund procedures and transferring the due amount to the specified bank account within thirty (30) days from the date of approval. In the event that no decision is issued within the specified period, the request is considered legally rejected. The Authority may extend the decision-making period for one time only for a similar period, provided that the applicant is notified of the extension before the original period expires.

The Authority may also deduct any amounts due to it from the refund amounts, including unpaid taxes or fines or zakat, while notifying the applicant of the settlement of their credit balance. The Authority shall not consider refund requests for amounts paid in excess if there is an existing objection or grievance, except after a final decision has been issued regarding it.

12. Request for Ruling

In the event that you are not sure how the tax applies to a real estate transaction you are conducting or intend to conduct, after reviewing the relevant statutory provisions and the Guideline, you may apply to the Authority to obtain a ruling, in accordance with what is stated in the Guideline for Ruling.

13. Contact Us

For more information regarding any transaction subject to Real Estate Transaction Tax, please visit the electronic website: zatca.gov.sa

Or contact us at the following number: 19993

14. Frequently Asked Questions (FAQs)

1. Which category is subject to Real Estate Transaction Tax?

The tax is imposed on all categories dealing in real estate transactions, including natural persons, legal entities, and government agencies.

2. When will the implementation of the Real Estate Transaction Tax begin?

The implementation of the Real Estate Transaction Tax commenced on October 4, 2020.

3. Is there a mandatory registration threshold for Real Estate Transaction Tax?

There is no registration threshold for Real Estate Transaction Tax; all transactions are subject unless they fall under the list of exemptions specified in the Real Estate Transaction Tax Law.

4. Is registration with the Zakat, Tax and Customs Authority required to submit and pay the tax return?

Real Estate Transaction Tax is a transaction-based tax; each real estate transaction is registered through the portal designated by the Authority without the need to submit a registration request with the Zakat, Tax and Customs Authority. Therefore, the requirements for registration or periodic filing applicable to Zakat and other taxes do not apply to it.

5. Will a special registration certificate for Real Estate Transaction Tax be issued to me?

There is no registration certificate for Real Estate Transaction Tax. This tax is transaction-based and is not determined by the volume of activity or sales; all real estate transactions are subject unless exempted according to the Real Estate Transaction Tax Law.

6. In the case of early repayment, is there a tax when the mortgage on the real estate is released for the client?

Real Estate Transaction Tax is imposed on any real estate transaction after October 4, 2020. A real estate transaction includes any legal act that transfers ownership of the real estate or its use permanently, including—but not limited to—contracts resulting in the transfer of the right of usufruct or long-term lease rights.

7. Real Estate Transaction Tax is mandatory to be paid before or during the transfer or notarization, with a maximum limit. The payment responsibility lies with the seller. Is there any obligation on the financing entity in case of non-completion of the transfer?

If the conditions stipulated in Paragraph (L) of Article (2) of the Implementing Regulations of the Real Estate Transaction Tax Law apply to the transaction mentioned above, the seller is the person responsible for the Real Estate Transaction Tax.

8. How is the Real Estate Transaction Tax applied and when must the tax be paid?

Based on Article (2) of the Real Estate Transaction Tax Law, a tax of 5% of the total value of the Real estate is imposed, regardless of its condition, use, or form at the time of the transaction. This transaction includes the entire Real estate, a detached part of it, or a common share, whether the transaction is documented (Notarization) or undocumented. Article (5) of the Real Estate Transaction Tax Law specifies that the tax is paid to the Authority on the date of the real estate transaction, and it may be paid before that. The tax may also be paid after the date of the real estate transaction in specific cases specified in Article (5) of the Implementing Regulations of the Real Estate Transaction Tax Law.

9. Regarding Murabaha contracts, if the bank concluded sales and purchase agreements before the issuance of the Royal Order on October 4, 2020, and Value Added Tax (VAT) was paid to the Authority, will Real Estate Transaction Tax be supplied in the event of transfer after October 2020, and consequently, the declaration regarding VAT be amended?

In the event that the bank paid VAT on a Murabaha contract and the Real estate was placed at the disposal of the client through the contract concluded with the client before the effective date of the Real Estate Transaction Tax, while the transfer occurred after the effective date, then that transaction shall not be subject to Real Estate Transaction Tax pursuant to Paragraph (1) of Item (Fifth) of the Law's issuance instrument—provided that no change occurs to the parties of the transaction or the value of the contract subject to VAT.

10. I am registered for Value Added Tax (VAT) and my activity is real estate only. Must I cancel my registration for VAT considering that real estate transactions have become exempt?

Yes, the registration of persons whose activity is limited to real estate transactions exempt from tax will be canceled. Those who do not have any other activities may continue to be registered voluntarily for VAT according to the mandatory registration threshold for their evaluation of their taxable activities.

11. Who is the person responsible for submitting the request in the Real Estate Transaction Tax service?

The person responsible for submitting the request through the service is the seller of the Real Estate or the Assignor. A payment invoice will be issued based on the data specified in the request for the tax amount that will be due upon the notarization of that Real Estate. The seller or the Assignor is the one obligated to pay the tax to the Authority, and they have the right to agree with the Assignee to the contrary. Any person may pay the tax invoice that will be calculated upon the transfer. The seller or the Assignor remains responsible for paying the tax and any obligations arising therefrom, taking into account that the Assignee may be considered jointly liable with the Assignor for the due tax in cases where the Authority proves that the Assignee was a cause for the non-payment of the due tax. This includes cases where both the Assignor and the Assignee arrange to reduce the tax amount or its non-payment, or the Assignee performing any act that leads to a violation of any of the restrictions mentioned in the Law or the Regulations that led to the non-payment of the tax.

12. I am an individual registered with the Authority and I have activities other than selling Real Estate (commercial rentals and managing Real Estate for others) and I intend to sell one of the commercial Real Estates. How do I enter these transactions into the Real Estate Transaction Tax service?

There is no link between Value Added Tax (VAT) and Real Estate Transaction Tax, as each represents a separate tax. Real Estate supplies through sale have become exempt from VAT, while they will be subject to Real Estate Transaction Tax at a rate of 5%. The tax will be calculated through entering the transaction data in the platform available at the Authority.

13. Is the payment of the tax that will be calculated through a payment invoice mandatory to complete the transfer procedures at the competent authorities?

Yes, the procedure at the competent authority will not be completed except by paying the tax due on each transaction.

14. I have a Real Estate that I wish to transfer its ownership to my wife as a notarized gift, and it is~~ to~~ the best of my knowledge~~ n~~ot subject to Real Estate Transaction Tax as the wife is among the exempt relative cases. Am I obligated to use the Real Estate Transaction Tax service to complete the ownership transfer procedures?

Yes, the Real Estate Transaction Tax service must be used to complete all ownership transfer procedures. You can also disclose the nature of the Real Estate through selecting the exempt option designated for that purpose. Note that the service will not calculate a tax as the gift to the wife is among the cases exempt from the tax.

15. We are heirs and we will transfer the Real Estate to another party. How will the Real Estate Transaction Tax service be used in this case?

The Real Estate must be transferred to the heirs for the purpose of dividing the interests and registering the Real Estate in their names at the Ministry of Justice. Then, a request is submitted through the Real Estate Transaction Tax service to sell the Real Estate, and each heir can pay the part related to their interest through the same invoice. Also, one of the heirs can pay the full tax amount while settling the heirs' obligations among themselves. The buyer can also pay the tax invoice directly for the Real Estate they will purchase from the heirs

Scan this code to view the last
version and all published documents
Or visit the website zatca.gov.sa