



Guideline

For the Real Estate Sector under VAT Provision



The Zakat, Tax and Customs Authority (ZATCA) has issued this Guideline to explain certain treatments related to the application of the regulatory provisions in force as at the date of its issuance. The content of this Guideline does not constitute an amendment to any of the provisions of the applicable rules and regulations in the Kingdom.

The Authority affirms that it shall apply the explanatory treatments set out in this Guideline, where applicable, considering the relevant statutory provisions. If any clarification or content in the Guideline is amended in relation to an unchanged statutory provision, the updated explanatory treatment shall apply to transactions carried out after the publication date of the updated version of the Guideline on ZATCA's official website.



Amendments

#	Version Number	Date of Amendment	Section/ Item	Type of Amendment	Description of Amendment	Notes
1	3	May 2026	5	Amendment	Update in accordance with the Implementing Regulations of the Real Estate Transaction Tax Law issued by the Board of Directors Resolution No. (01-03-25) dated 24th Ramadan 1446H/24th March 2025	-
		May 2026	9	amendment	The update is in accordance with the amendments to the Implementing Regulations of the Value Added Tax law issued pursuant to Board Resolution No. (01-06-24) dated 17 Jumada Al-Awwal 1446 H, corresponding to 19 November 2024	-



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1. Introduction

Council of Ministers Resolution No. 570 dated 22nd Ramadan 1442H/4th May 2021G was issued, providing for the merger of the General Authority of Zakat and Tax ("GAZT") and the General Customs Authority ("GCA") into a single entity under the name of the Zakat, Tax and Customs Authority ("ZATCA" or "Authority"). The Authority undertakes the collection of Zakat and the collection of taxes and customs duties, and seeks to achieve the highest levels of compliance by taxpayers in accordance with best practices and with high efficiency. The Authority also seeks to enable the Kingdom to become a global logistics hub by facilitating trade, protecting national security, and regulating and managing all activities related to customs operations and customs ports, in a manner that ensures their advancement to the highest levels of efficiency, productivity, and competitiveness. This is achieved through the provision of high-quality services with a focus on the customer and service delivery in accordance with best practices.

1.1 An Outline of Real Estate Tax Amendments

- Value Added Tax (VAT) was first implemented in the Kingdom on 1st January 2018G at a standard rate of 5% on all supplies and import transactions, including all real estate sales made as part of an economic (business) activity. Limited exceptions, such as the rental of residential property, were exempted from VAT.
- On 1st July 2020, the VAT Standard Rate was raised to 15% on taxable supplies.
- Starting from 4 October 2020, the application of taxes on built property and land sales in the Kingdom was amended pursuant to Royal Order No. (A/84) issued on 1st October 2020, whereby the supply of real estate by way of sale became exempt from VAT. Instead, real estate disposals have become subject to Real Estate Transaction Tax (RETT) at a rate of 5%. This tax is collected by the Authority in accordance with the RETT Law and its Implementing Regulations.

1.2 This Guideline

- This Guideline is designed for businesses and individuals within the real estate sector, including any person who purchases, sells, or rents residential, commercial, or any other type of real estate.
- This Guideline provides information on the tax treatment of these activities and explains the



transitional tax provisions applicable to cases occurring during the real estate VAT exemption period. ZATCA has issued separate detailed guidelines on RETT implementation. To access such guidelines and other reference materials, please visit the Authority's website zatca.gov.sa.

2. Definitions

Real Estate: Refers to any land or built property. It is defined in the VAT Implementing Regulations as including ⁽¹⁾:

- a. Any specific plot of land over which ownership or possession rights, or other real rights may be claimed;
- b. Any buildings or engineering structures permanently erected on land;
- c. Any fixtures or equipment forming a fixed part of, or permanently attached to, a building, structure, or construction.

Residential Real Estate: Refers to property intended for use as a place of residence ⁽²⁾. For VAT purposes, it is defined as:

"A permanent dwelling designed for human occupation, including immovable property used or intended to be used as a home, such as houses, apartments, residential units, and other real estate intended to be a person's primary residence, including residential accommodation for students and school pupils."

Residential Real Estate includes areas legally appurtenant to the property or real estate, including gardens, private parking spaces, areas, or any other attachments that constitute a permanent part of the property.

Non-Residential Real Estate: Any Real Estate that does not meet the requirements of the definition of Residential Real Estate. This includes, for example:

- a. Commercial real estate.
- b. Vacant/bare land, whether developed or undeveloped.
- c. Partially completed construction works.

(1) Article 23 (1) Implementing Regulations of VAT Law

(2) Article 30, Implementing Regulations of VAT Law (as updated pursuant to the decision of the Authority's board of directors (1-5-20)



- d. Agricultural land.

Hotels, hostels, guest houses, motels, serviced accommodation, or any other building designed to provide temporary accommodation to visitors or travelers are non-residential real estate.

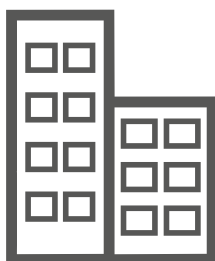
Disposal or Sale of Real Estate: Disposal of real estate is not defined for VAT purposes. However, the VAT exemption applies to the supply of real estate "by way of transfer of ownership or disposal thereof as owner ⁽³⁾". Although real estate disposal is defined under the RETT Implementing Regulations ⁽⁴⁾, the definition may not apply consistently across all cases for VAT purposes.

Rental of Real Estate: The supply of a specific area of real estate by granting the right to use it through, for example, lease, license, or usufruct, provided that such supply does not result in the transfer of ownership to the recipient.

3. VAT Treatment of Real Estate: An Overview

3.1 Supply of Real Estate

1. A supply of real estate for VAT purposes occurs where a supplier sells or rents real estate located in the Kingdom as part of conducting an economic activity for consideration.
2. Below is a summary of the tax treatment of real estate supplies in the Kingdom:



Residential Real Estate



Non-Residential Real Estate

(3) Article 30 (1), Implementing Regulations of VAT Law (as updated pursuant to the decision of the Authority's board of directors (1-5-20))

(4) Article 1, Implementing Regulations of RETT (Minister of Finance Decision No. 712).



Permanent Housing	Commercial premises and locations (offices and factories) Vacant land Agricultural land Partially completed construction works Hotels and short-term accommodations
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Rental



Rental



VAT Exempt

Subject to a 15% VAT

Sale



Sale



* RETT levied on the transfer of ownership

* RETT levied on the transfer of ownership

* VAT exempt

* VAT exempt

Sections 5 and 6 of this Guideline include additional details on VAT application to real estate sale and lease agreements.

3.2 Real Estate Related Supplies

Supplies of goods or services related to real estate, which do not involve a supply of real estate, are subject to different tax treatment.



Examples of real estate-related services include construction, design, modification, maintenance, or operation of real estate. These services are subject to VAT at a rate of 15% provided that they are connected to real estate located in the Kingdom ⁽⁵⁾. Real Estate Transaction Tax (RETT) does not apply to services that do not involve the transfer of real estate ownership.

Section 7 of this Guideline covers in detail the real estate-related services.

4. Registration

4.1 Mandatory Registration

Registration is mandatory for all persons whose annual revenues exceed the prescribed registration threshold, i.e., if the person's taxable supplies value during any 12-month period exceeded SAR 375,000 the Mandatory Registration Threshold. Then that person must register for VAT in respect of sale transactions, as well as any taxable supplies carried out ⁽⁶⁾.

- The total value of taxable supplies does not include the following:
 - a. Any exempt supply, including the rental of residential real estate and the disposal of real estate after 4th October 2020; or
 - b. Any supply relating to real estate located outside the Kingdom.

Registration applies to both legal persons and natural persons who carry out any regular economic activity. Any person obtaining income from renting non-residential real estate is presumed to be carrying out an economic activity and must register where the mandatory VAT registration threshold is exceeded.

For non-resident persons, different mandatory registration rules are applicable. A non-resident is not required to charge VAT on supplies made to taxable resident customers in Saudi Arabia, as such customers will self-account for VAT using the reverse charge mechanism. However, a non-resident must register once they make any supplies for which they are required to charge and pay VAT, regardless of value (such as supplies made to a person not registered for VAT purposes) ⁽⁷⁾.

(5) Article 23 (2), Implementing Regulations of VAT Law, and Article 19 of the Unified Agreement for VAT of the Cooperation Council for the Arab States of the Gulf.

(6) Article 3, Implementing Regulations of VAT Law.

(7) Article 3, Implementing Regulations of VAT Law.



4.2 Voluntary Registration

Any resident person who is not required to register mandatorily, but whose taxable supplies or taxable expenses exceed the Voluntary Registration Threshold of SAR 187,500 during a 12-month period, may register voluntarily for VAT ⁽⁸⁾.

Voluntary registration is recommended where a company wishes to claim a refund of VAT paid on its costs.

Example (1)

Al-Nada Company Limited purchased a commercial building in Riyadh with the intention of renovating and renting it as office space to other companies. During 2021, the company incurred substantial costs of over SAR 2,000,000 to renovate the building, prior to tenants occupying the premises in 2022, and started to make taxable supplies in respect of office lease agreements. In this case, Al-Nada Company may register for VAT during 2021 on a voluntary basis, given that its annual Taxable Expenses exceed SAR 187,500.

4.3 Deregistration

A taxable person must apply for deregistration in the following cases ⁽⁹⁾.

Ceasing to Carry on an Economic Activity	Ceasing
Ceasing to make taxable supplies	If the taxable person fails to make any taxable supplies during the preceding 12 months.
If the value of taxable supplies is below the Voluntary Registration Threshold.	Where the value of supplies or expenses has not exceeded SAR 187,500 during the preceding 12 months, has not exceeded SAR 375,000 during the preceding 24 months, and is not expected to exceed SAR 187,500 during the following 12 months.

(8) Article 7, Implementing Regulations of VAT Law.

(9) Article 13, Implementing Regulations of VAT Law.



- A person must apply for deregistration within 30 days of the occurrence of any of the cases mentioned above.
- Any person who is not required to deregister under any of the cases mentioned above, but whose annual taxable revenues do not exceed the mandatory registration threshold of SAR 375,000, and whose annual supplies to the Kingdom in that month and the following eleven months were not expected to exceed the mandatory registration threshold, may also choose to deregister may also opt for deregistration.
- In all cases, deregistration shall take effect on the date determined by ZATCA following its approval of the deregistration.

5. Real Estate Disposal

5.1 What is Real Estate Disposal?

- As of 4th October 2020, real estate disposals are exempt from VAT:

"Supply of real estate, whether residential, commercial, agricultural, or vacant land (developed or undeveloped), by way of transfer of ownership or disposal thereof as owner, is exempt from tax. ⁽¹⁰⁾"

According to the RETT Law, real estate disposal is defined as a disposition that transfers ownership of real estate or transfers its usufruct permanently, whether directly or indirectly, or transfers its usufruct for a period exceeding 50 years.

5.2 Date of Supply

The date of supply of real estate for VAT purposes is the date on which the real estate is placed at the disposal of the Customer. In practice, this date precedes:

- a. The date on which ownership of the real estate is transferred (recorded as the date of notarizing the transfer of ownership, or the contract date, if the transfer is not notarized); or
- b. The date on which possession of the real estate is given to the customer, if earlier, under a contract providing for the transfer of ownership to that customer ⁽¹¹⁾.

(10) Article 30 (1), Implementing Regulations of VAT Law (as updated pursuant to the decision of the Authority's board of directors (1-5-20)

(11) Article 20, Implementing Regulations of VAT Law.



Example (2)

A financier enters into an agreement to supply a residential unit to a Saudi purchaser (an individual) under an Ijara contract. The contract was concluded in July 2021, with the purchaser permitted to occupy the unit from 1st August 2021. Ownership of the unit transfers at the end of the Ijara term in 2031. In this case, the financier makes an exempt supply of real estate to the purchaser for VAT purposes on the date of possession (1st August 2021).

5.3 Transitional Scenarios

- Payment of a deposit or issuance of an invoice may bring forward the tax due date, but does not affect the date of supply.
- Tax treatment is determined based on the date of supply.

Example (3):

A developer enters into a contract to sell a residential unit. The purchaser pays an amount on account on 20th September 2020, including VAT at a rate of 15%. Ownership and possession are transferred to the customer on 1st November 2020.

The supply of the unit is considered exempt from tax, as the date of supply is November 2020.

VAT charged on the deposit paid on 20th September 2020 must be adjusted, and in accordance with the contractual terms, it may be required to be refunded to the customer or offset against the amount due.

Example (4):

A developer sells a commercial building to a company for a deposit of SAR 230,000 paid on 31st July 2020, in addition to an amount of SAR 920,000 payable in December 2020. The building was occupied on 8th August 2020.

In this case, VAT at a rate of 15% is charged on both the deposit and the remaining consideration, as the supply of real estate occurred on 8th August 2020. The date of payment does not affect the VAT application.



- With regard to Ijara and lease-to-own contracts of real estate where ownership was transferred between 1st January 2018G and 3rd October 2020G, VAT would have been fully charged by the supplier on the date the purchaser took possession of the real estate (at a rate of 5% or 15%).
- For Ijara or lease-to-own installments collected on or after 4th October 2020, the tax treatment of VAT amounts payable remains unchanged. It should be noted that RETT does not apply to Ijara contracts concluded before 4th October 2020

6. Rental of Real Estate

6.1 Residential Real Estate

In the Kingdom, the supply of residential real estate by way of lease is exempt from VAT provided that:

- a. The property is a permanent residence designed to be occupied by people; and
 - b. The property is intended to be used as a primary residence.
- Tax exemption applies to the leasing of residential properties used as accommodation for individuals, families, or groups of natural persons. This includes houses, apartments, and residential units used as a "primary residence".
 - A primary residence may also include other residential properties such as student housing or staff accommodation, provided that the property is used by the person or persons as their main residence where they live regularly or habitually and return to after periods of absence. It is not required that the primary residence be the person's only place of residence.

Example (5):

Abdullah's family lives in their main home in Lebanon, but Abdullah works in Al Khobar and rents a residential apartment where he stays from Sunday to Thursday each week. He uses the apartment regularly as his primary residence despite also owning a home in Lebanon. The residential lease of the apartment is exempt from VAT.

**Example (6):**

ABC School owns on-campus housing units where students live during the academic term for an additional fee. These units are considered the students' primary residence during the school term, to which they return after each school holiday. Providing accommodation in these units is treated as a main residence, and the rent for these units (accommodation fees) is exempt from VAT.

In contrast, property used as a seasonal holiday home or as short-term accommodation for workers is not considered residential real estate and consequently is not exempt from VAT. In this case, VAT at the standard rate of 15% applies to lease agreements of such properties ⁽¹²⁾.

With respect to hotels, hostels, guest houses, motels, serviced residences, or any other building designed to provide temporary accommodation for visitors or travelers, such properties shall not be considered residential real estate qualifying for exemption from VAT.

Example (7):

Accommodation for a period of four months by a traveling person within a building that provides serviced apartments shall not be considered a supply of residential rental, as serviced apartments are not leased as residential units. Accordingly, VAT shall be applied at the standard rate to such supply. The exemption applies only to dwellings that are leased as residential units and used for regular residence purposes.

In many situations, the owner imposes additional fees for providing services that are associated with renting residential or commercial real estate. Examples include maintenance fees, utility usage fees, parking fees, and others. In general, fees imposed for additional services are considered a separate supply of services that must be subject to VAT in accordance with the normal tax treatment applicable to such supplies. Such services do not fall within the scope of the tax exemption applicable to residential property, even if supplied in connection with a residential contract.

(12) Article 30 (3), Implementing Regulations of VAT Law (as updated pursuant to the decision of the Authority's board of directors (1-5-20)



Example (8):

The owner leases a number of residential units to tenants for SAR 5,000 per month. Due to the limited number of parking spaces, the owner offers tenants the option of paying an additional amount of SAR 300 per month for the use of parking spaces. In this case, the rent is exempt from VAT, while the parking usage fee is subject to VAT.

6.2 Non-Residential Real Estate

The leasing of any real estate that does not qualify as tax-exempt residential real estate shall be subject to VAT at a rate of 15%. This includes the lease or licensing of any commercial real estate or any other real estate that does not qualify as residential real estate, including for example:

- Annual lease contracts for office buildings;
- Renting vacant land;
- Licensing to operate a factory or an industrial facility.

6.3 Mixed-Use Real Estate

In cases where the same real estate is leased or licensed for both residential and non-residential purposes, such as buildings in which the ground floor is occupied by commercial tenants while the upper floors are occupied by tenants using them for residential purposes. Such supply shall be considered a mixed supply comprising exempt real estate and taxable real estate. Accordingly, VAT must be calculated on the portion of the supply relating to non-residential use.

Where a single price is charged for the building as a whole, including both the residential and non-residential parts, the lessor must divide the value of supply into portions that accurately reflect the value of relevant units. In mixed-use buildings (residential and commercial), an apportionment based on the proportion of floor area divided into residential and non-residential parts may be used as a primary basis, considering commensuration with the market rental values for units of the building. Common areas may also be apportioned based on the expected use of those areas, or otherwise disregarded if they are ancillary to the remaining parts of the property. The supplier is responsible for reviewing any apportionment to ensure that it accurately reflects the corresponding values of taxable supplies and exempt supplies carried out.



Example (9):

Ibrahim owns a tower in Riyadh consisting of 15 floors, of which 5 floors are used for commercial activities, while the remaining 10 floors are used as residential units that are occupied regularly.

Ibrahim leases the tower to a property management company under an annual contract with a value of SAR 150,000,000. One method to be employed here is to use an apportionment based on the area of each floor, whereby VAT would be expected to be imposed only on the non-residential units of the property valued at SAR 50,000,000, representing the portion of the supply corresponding to the commercial area. Otherwise, an apportionment based on (rental) value may also be more objective, where such value can be determined.

7. Real Estate-Related Services

7.1 Contracting and Construction

- The term “Contracting and Construction Services” is not specifically defined for VAT purposes. However, it may be described as an economic activity focused on constructing, renovating, repairing, and extending buildings, and improving land suitable for engineering activities, in addition to other engineering structures such as roads, bridges, dams, and the like.
- In the contracting industry, the main contractor is the supplier that concludes the contract with the client for the delivery of completed and finished building or engineering works and bears full responsibility for construction works. Yet the main contractors do not themselves supply real estate. Accordingly, contracting services are taxable supplies.
- All contracting and construction services in the Kingdom shall be subject to VAT at a rate of 15%, including the value of all works and materials incorporated or permanently installed at the construction site or project, and any charges relating to any other movable goods that may be supplied by the contractor to the client.

7.1.1 Subcontractors

The main contractor may also arrange for parts of the construction work, and in some cases the entirety of the actual work, to be carried out by one or more subcontractors. In such cases:



- Subcontractors supply contracting services to the main contractor, who receives such services in their capacity as principal contractor and subsequently uses these services as part of the total supplies delivered to the client.
- The main contractor supplies to the client contracting services relating to the construction of a fully or partially completed building or relating to a set of engineering works. This supply shall be subject to VAT at a rate of 15%.

7.1.2 Large-Scale Contracting Activities

- As part of a contracting project, the supplier may also carry out broader activities related to building or engineering works. For example, design and engineering services, and the procurement and supply of materials used during the construction process. In most cases, the supplier agrees to provide these goods and services as part of a single contractual arrangement (commonly referred to in practice as an "Engineering, Procurement and Construction" contract or "EPC").
- Supplies made under such combined contracts are generally regarded as a single supply of contracting services, together with other elements that form part of that single supply.

7.2 Other Real Estate-Related Services

- Contracting and construction services are an example of real estate-related services, i.e., services that affect the area of real estate, or are related to a specific area of it or a specific location of immovable property. The table below shows ZATCA's interpretation of these services.



Services related to real estate are those that:

a. Constitute a specific area of real estate as an integral part of the service:

For example: lease of real estate, provision of accommodation or storage services within a specified facility.

b. Change or adjust the legal and regulatory status of the real estate:

This category includes professional services such as those supplied by real estate agents, valuers, architects, surveyors, engineers, and others concerned with aspects relating to real estate.

However, this category does not include general advisory services provided by such professionals that do not relate to specific real estate and are not services related to real estate.

Cause physical alteration to real estate:

This includes any physical works on the real estate, such as the construction of buildings or real estate, demolition, conversion, reconstruction, alteration, extension, repair, or maintenance.

- Services related to real estate located in the Kingdom shall always be subject to VAT, regardless of the country of residence of the supplier or the client.
- Conversely, the supply of services related to real estate located outside the Kingdom shall not be subject to VAT.

8. Input Tax Deduction

8.1 General Rules for Tax Deduction

A taxable person may deduct input tax incurred on goods and services they purchase or import for the purpose of carrying out their economic activity while making taxable supplies ⁽¹³⁾.

Input tax shall be treated as a credit balance to be included in the VAT return and deducted from the VAT levied on supplies (output tax) made during that period.

(13) Article 49, Implementing Regulations of VAT Law



The deduction of input tax related to real estate activities shall be treated as follows:

Description of Input Tax	Tax Deduction
Input Tax directly and wholly attributable to taxable commercial/non-residential leasing transactions	Fully deductible
Input Tax directly and wholly attributable to exempt Residential leasing transactions	Not deductible
Input tax wholly attributable to exempt real estate transactions carried out by a taxable person	Basically, this tax is not deductible, unless the transitional provisions set out in Section 8.5 of this Guideline apply However, if the disposal of a commercial building is carried out as part of another taxable activity, a deduction may be possible depending on the use of general expenses. Please refer to Section 8.2.
Input tax incurred by an approved /licensed real estate developer in relation to exempt disposals	Not deductible, but it may be recovered separately. Please refer to Section 9 of this Guideline
Input Tax related to taxable contracting/ construction services or other taxable services	Fully deductible
Input tax on general expenses and other elements that cannot be attributed to a particular supply/activity/transaction and are related to taxable and other exempt activities	Proportional deduction based on apportionment/allocation



8.2 Proportional Deduction

- General expenses/costs incurred by a taxable person in making both taxable supplies and exempt supplies must be apportioned to most accurately reflect the use of those costs in the taxable portion of the person's activities.
- The taxable portion of the person's activities shall be calculated only when the person makes both taxable supplies and exempt supplies. A proportional calculation is not required for taxable persons who are eligible for a full VAT deduction.
- A specified default method for proportional deduction shall be calculated based on the value of supplies made during that year, using the following formula:

$$\frac{\text{Value of taxable supplies made by the taxable person during the previous calendar year}}{\text{Total value of taxable and exempt supplies made by taxable person during the previous calendar year}}$$

The taxable person may apply to use an alternative method for proportional deduction instead of the default method when that alternative method more accurately reflects the actual use of goods and services supplied to that taxable person. Further information and details on alternative methods and their use are provided in the Input Tax Deduction Guideline. It should be noted that an alternative method has been determined for use by all real estate taxpayers without the need to submit an application; further details are provided in Section 8.4 of this Guideline.

8.3 Incidental Disposals as Part of an Ongoing Taxable Activity

- When real estate or a commercial building is acquired for use in ongoing taxable activities, but ownership of the real estate is subsequently transferred (supplied), effective 4 October 2020, such transfer shall be exempt from VAT.
- The amendment to Article 51 of the Implementing Regulations of the VAT specifies that input tax deduction should not be affected by VAT-exempt real estate disposals, provided that such a disposal is "incidental and irregular in the normal course of a taxable person's economic activity."⁽¹⁴⁾

(14) Article 51 (11) (c), Implementing Regulations of VAT Law (as updated pursuant to the decision of the Authority's board of directors (1-5-20)



- Tax relating to incidental disposals shall be deducted in accordance with the proportional deduction applied to general expenses. The value of the incidental disposal shall not be included in the calculation of the proportional deduction.

Example (10):

A car dealer with multiple showrooms applied a 90% proportional deduction rate in 2022, making taxable supplies of vehicles and services, and providing exempt financing to a limited number of customers. On 30th July 2022, the dealer, disposed of one of the car showrooms.

As this real estate supply constitutes an irregular and incidental event in the normal course of the economic activity, the VAT-exempt supply shall not be included in the calculation of the proportional deduction. 90% of the VAT paid may be deducted as input tax, in line with the proportional deduction rate.

8.4 Real Estate Financing

- The concept of real estate financing is mainly based on providing financing to companies. Many financiers offer Shariah-compliant real estate financing; whereby real estate is purchased and sold as part of the financing product.
- Although this forms a regular part of the financier's activity, the Authority acknowledges that the high value of the VAT-exempt real estate supply may result in a default proportional deduction calculation that provides an inaccurate reflection of the use of general expenses for taxable and exempt supplies.

8.5 Transitional Provisions

- As a privilege applicable during the transitional period, input tax levied on the purchase, construction, renovation, or alteration of real estate prior to the exemption date (4th October 2020) remains deductible even if the real estate is ultimately disposed of as an exempt supply.
- For applying the transitional provisions on deduction, the following criteria must be observed:⁽¹⁵⁾

(15) Article 49 (9), Implementing Regulations of VAT Law (as updated pursuant to the decision of the Authority's board of directors (1-5-20)



Criterion/Situation	Comment
Supplies received by the taxable person	This does not apply to persons who were not registered on the exemption date
Supplies used for the purchase, construction, renovation, or alteration of real estate	The transitional provisions do not apply to marketing expenses or any other expenses associated with the sale
Supplies intended to be used to facilitate the taxable disposal of the real estate (which would have been subject to tax prior to the amendment of the provisions)	Transitional provisions are inapplicable to the renovation of residential real estate designated for exempt leases. Apportionment must be carried out where the supplies relate partly to a disposal and partly to other activities
Supplies received no later than 4 th October 2020.	Services were performed on or before 4 th October 2020. Apportionment must be carried out if the ongoing services extend beyond 4th October 2020.
Input tax has already been deducted, or the deduction is included in the tax return ending December 2020.	The transitional deduction is not available after the submission of the tax return for the tax period ending 31 st December 2020.

9. Real Estate Developers

9.1 Tax Refund Claim

- A qualified real estate developer may claim to refund input tax incurred and paid on their exempt supplies relating to the supply of real estate ⁽¹⁶⁾ by way of transfer of ownership or disposal thereof as owner.

(16) Subparagraph (A) of Paragraph (1) of Article (30) of the Implementing Regulations of the VAT Law



9.2 The Qualified Real Estate Developer

A decision by His Excellency, Minister of Finance, ⁽¹⁷⁾ defines the rules and conditions that must be met by a real estate developer to be entitled to claim a tax refund as a qualified person, including:

- The person carrying out real estate development activity must adopt one of the legal forms of a sole proprietorship under a commercial registration, or any legal form under the Companies Law, or a real estate investment fund, or an institution or cooperative association.
- The license required to practice the real estate development activity issued by the Ministry of Commerce, or any competent authority in the Kingdom, must be valid at the time of submitting the application.
- The real estate developer must be licensed to carry out any of the following activities: sale, lease, purchase, and development of real estate; purchase and sale of land and real estate and their subdivision; off-plan sale or lease activities; construction of buildings.
- The real estate developer must obtain approval from the Ministry of Municipalities and Housing as a qualified real estate developer.

9.3 Refund Mechanism

- A qualified real estate developer shall submit refund claims for each monthly or quarterly period, or for each calendar year, as determined in the registration application and in accordance with the relevant procedures.
- A real estate developer qualified for a refund may not submit more than one refund claim for each recovery period. In any event, refund applications must be submitted within a period not exceeding 6 months from the end of the period for which the refund is claimed.

9.4 Contents of Refund Claim

A qualified developer must retain a tax invoice for the supply, in addition to proof of payment or settlement of the amount due. The refund request for each supply shall include the following:

3. **First:** Project Statement, including the following:

(17) Ministerial Decision No. (1754) dated 15th Rabi al-Akhir 1442H/ 30th November 2020G approving the rules and conditions for considering real estate developers as qualified for refund.



- Project name
- Estimated project cost
- Project start date
- Project end date
- Completion rate

For each project, the building permit, a copy of the title deed, the contract, and the bill of quantities shall be attached as supporting documents.

4. Second: Purchases Statement, including the following:

- Supplier name and Tax Identification Number
- Date of the invoice for which the VAT paid is to be refunded
- Invoice number
- Total invoice amount
- VAT amount
- Description of the goods or services purchased
- Project name

9.5 ZATCA's Processing of Refund Claim Submitted by Qualified Developer

1. The Authority shall examine the refund application submitted by the qualified person. It should be noted that submitting all data accurately will significantly expedite the Authority's response and facilitate the review process.
2. The Authority may request copies of tax invoices or additional information from the qualified person on paper or electronic form. In such cases, the requested information must be submitted within the period specified by the Authority in its request, which shall in all cases not be less than 20 days from the date of the Authority's request, following the processing of the application.



3. The Authority may, at any time, conduct an audit of the real estate developer eligible for refund to verify their compliance with all tax requirements contained in the VAT Law, its Implementing Regulations, and the resolutions, criteria, and standards related to refund applications for real estate supplies eligible for refund. It may apply the provisions stipulated in Article 64 of the Regulations in this regard.
4. If the person eligible for refund is notified of the approval of the application (totally or partially), the Authority shall pay the amount approved for refund to the bank account specified by the eligible person in their application within 30 working days from the date of notification of approval. The Authority may perform a set-off between the amount approved for refund against any tax, fine, or other amounts due to the Authority.

For more details, please refer to the General Guideline to VAT Refund for Eligible Real Estate Developers.



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