



# Detailed Guideline for the Real Estate Transaction Tax



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

The Royal Decree No. (A/84) dated 14/02/1442 H exempted supplies of real estate made as a way of transferring its ownership, or the right to dispose of it as an owner, and the imposition of RETT on sales and the like, equivalent to 5% of the value of real estate, 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, as well as the amount that the Kingdom will bear from the value of the real estate transaction tax, as the country will bear the RETT for amounts that do not exceed one million SAR from the purchase price of the citizen's first home, compared to the amount incurred in the VAT for not more than 850,000 SAR, prior to the Royal Decree's issuance. According to the Implementing Regulation of the Real Estate Transactions Tax issued by His Excellency the Minister of Finance No. (712) and dated 15/2/1442, the tax was implemented on October 4, 2020

#### Zakat, Tax and Customs Authority

The Zakat, Tax and Customs Authority (ZATCA) is tasked with implementing, regulating, and collecting the Real Estate Transaction Tax, which is later referred to as the "tax" unless the context requires otherwise. The Authority is responsible for collecting Zakat, taxes, and customs duties, as well as obtaining the highest level of compliance according to best practices and high efficiency. It is also involved in managing all activities related to customs work and ports and leveling up the work to the highest level of sufficiency, productivity, and competitiveness, in addition to its competencies that are prescribed by Law without violating the competencies and responsibilities of other entities and shall carry out what is required to achieve its goals.



## 1.2. What is the Real Estate Transaction Tax?

The Real Estate Transaction Tax (RETT) is an indirect tax that is imposed on all transactions whereby a legal effect is produced, which is represented in the transfer of the property ownership, or its possession for the purpose of owning, or its possession to benefit, from one person to another. The disposal may be pending if the will of the transaction's parties is met, such as the sale, or based on a unilateral will by the disposer, such as: a will. It also includes -for example-but not limited to:

Gifts or waiver.

Netting or barter.

Financial leasing.

Lease to own.

Islamic lease to own (Ijara).

Shares transfers in real estate companies.

Long-term usufruct contracts -more than 50 years-.

All real estate, regardless of its status, nature, or usage at the time of disposal, is subject to the Real Estate Transaction Tax. Lands and what is being created, constructed, or built thereon, whether developed or not, are all considered real estate, whether this disposal contains all or part of a subdivided, common, residential unit, or other sort of real estate.

The transfer of the shares or the stocks in a real estate company, which are companies that have real estate as more than 50% of their assets or capital, is subject to the RETT, and is considered an indirect transfer of the real estate company's ownership unless there was a direct connection among the shares, stocks and company's assets ownerships. The transfer of ownership of shares related to real estate funds traded on the financial market is not regarded a form of transfer of shares subject to the RETT.



## Example (1)

A person sold a plot of land worth one million SAR and intended to transfer the real estate in the buyer's name. The real estate disposal represented by that person selling the land is subject to the RETT in this case. Following that, the buyer subdivided the land into multiple plots and intended to transfer each plot into the names of several different people. Each plot of land represents a separate real estate disposal subject to the RETT in this case.



### 1.4. This Guideline

This guideline is addressed to all natural and legal persons who carry out real estate transactions. The purpose of this guideline is to provide information to clarify the tax treatment of such conduct.

For further instructions on specific transactions, you may apply for a ruling or visit our website [zatca.gov.sa](http://zatca.gov.sa), which contains a wide range of tools and information, including visual guidance materials, other relevant information, and FAQs that have been established as a reference to support taxable persons.



## 2. Definitions of Main Terms Used

### Disposal

The disposal- for the purposes of this guideline- is defined as the inclination of the will to cause a certain legal result, which is the formation of a right that the law involves.

For example, contracts concluded between two parties for the transfer of real estate ownership are legal disposal based on the convergence of two wills, and the law acquires rights in kind. A will, too, obtains rights in-kind because it is a legal disposal based on a single will.

### Real Estate

For the purposes of this guideline, real estate is defined as everything that is fixed in place and cannot be moved without causing damage, and it includes built property, land, and all rights derived from it, as well as:

- Any particular land area on which legal rights such as ownership, possession, or other in-kind rights can be generated.
- Any permanent constructions, such as buildings or structures, placed on a piece of land.
- Any fixture or equipment that is permanently attached to a building, structural building, or architectural structure and forms a fixed element of it.

### Real Estate Disposal

According to the Implementing Regulations for the Real Estate Transaction Tax: any legal act that transfers ownership of real estate or possession for the purpose of owning it, or owning the benefit of it, including without limitation, contracts- for the purpose of transfer the usufruct- or long-term leases such as; sale, netting, gift, will, barter, lease (ljara), finance lease, transfer of stakes in real estate companies, or usufruct for a period of more than 50 years.



## **Ownership**

The right of ownership- for the purposes of this guideline- is defined as the right that grants its owner full rights over a specific material thing, allowing the right owner to use all the benefits of that real estate. Therefore, he has the right to use, exploit, and dispose of it.

## **Barter Contract**

For the purposes of this guideline, a barter contract is a contract in which each of the contractual parties agrees to transfer the ownership of property (as an exchange) to the other without the use of money.

## **Commutative Contract**

For the purposes of this guideline, a commutative contract is a contract that results in a free voluntary obligation between the contracting parties to fulfill their mutual duties by giving and receiving; to possess an asset, receive a benefit or service, or acquire a financial right.

## **Lease Contract (Ijara)**

For the purposes of this guideline, a lease contract is defined as the lessor's possession of an intended benefit to the lessee of the thing leased for a particular duration in return for a rental payment.

## **Cost-plus Contract (Murabaha)**

For the purposes of this guideline, a Murabaha contract is defined as a type of Islamic financing, also known as excess cost financing, in which the seller and the buyer agree on the cost of the original property and the markup (profit) for the item being sold.





## **Finance Lease Contract**

For the purposes of this guideline, a finance lease contract is defined as a contract between the lessor and the lessee under which the lessor is obligated to transfer the leased asset owned by him, or which he obtains from the supplier, into the possession of the lessee to be used, provided that the asset's ownership is transferred to the lessee, or the lessee has the option to purchase the asset after a specified period and to pay the obligations agreed upon between the contract's parties.

## **Usufruct**

For the purposes of this guideline, a usufruct is defined as the right that allows the usufructuary to use and exploit the property of others. This right arises by the will of the parties, or by virtue of the law, and it can be restricted by a term or condition.

## **Off-plan Transaction**

For the purposes of this guideline, an off-plan transaction is defined as the sale or lease of a distinct real estate unit before its construction is completed.

## **Residential Real Estate**

Residential property-for the purposes of this guideline- is known as the main place of residence created for the purpose of housing permanently, and not for the purposes of commercial activities. The VAT Implementing Regulations stated that residential property includes what falls within the boundaries legally attached to the properties, and includes the legally designated boundaries of property, including gardens, garages, or any part of the property that is considered permanent.



## Non-residential Real Estate

Non-residential property is defined as property that does not match the definition of residential property for the purposes of this guideline, and includes, but is not limited to:

- Commercial real estate.
- Vacant developed or undeveloped lands.
- Partially completed construction work.
- Agricultural land.

Non-residential buildings include hotels, guest houses, serviced accommodations, and other buildings designed to provide temporary lodging to visitors or travelers.

## Documentation

The Real Estate Transactions Tax Implementing Regulations define documentation as “a set of procedures that ensure the establishment of a right in a way that can be invoked, in accordance with the provisions of the documentation law, including but not limited to, the conclusion of a sales contract between the contract’s parties.”

## Charitable Endowment (Public)

A charity endowment, also known as a public endowment, is defined by the General Authority for Awqaf as “a conditional endowment on charitable causes in a general way specified in a particular or by description.”



## **Family Endowment (Al-Ahly)**

The family endowment, is defined by the General Authority for Awqaf, as “a conditional endowment that is allocated to the offspring of the endower, children, and relatives, particularly or by description.”

## **Fair Market Value**

For the purposes of this guideline, “fair market value” is defined as the amount due for supplies of goods or similar services that are made flexibly between unrelated parties.

## **Unofficial Documents**

According to the Real Estate Transactions Tax Implementing Regulations, unofficial documents are those documents by which disposals are proven beyond the boundaries of formal official documentation.

## **Entities and Projects of Public Interest**

The Implementing Regulation of the Real Estate Transaction Tax defines the entities and projects of public interest as “entities and institutions that carry this feature according to the Law of Civil Society Associations and Organizations, and it defines these entities as: entities that carry general purposes: such as the humanitarian, social, cultural, professional, and scientific purposes that it seeks to achieve through servicing society.”

## **Official Documents**

For the purposes of this guideline, official documents have been defined as those documents that prove disposals within the scope of formal official documentation.



## Real Estate Companies

For the purposes of this guideline, real estate companies are defined as companies whose real estate represents more than 50% of their assets and capital.

### 3. Real Estate Tax Entitlement

#### 3.1. Imposing Real Estate Transaction Tax

The Real Estate Transaction Tax is imposed at 5% of the total sale price for each disposal. Thus, if the disposal is repeated on the real estate under the sale, the total selling price for each disposal is subject to the RETT at 5% unless this disposal is exempted from tax according to the list of exceptions specified in the RETT Implementing Regulation. This has no bearing on whether or not the disposal is documented. The occurrence of the event that generates the tax, which is the transfer of the right to others, is the principle of the tax entitlement.

#### Example (2)

On November 11, 2020, two people agreed to sell a commercial real estate and transfer the deed of ownership to the buyer at the notary public, provided that the property's value was equivalent to the fair market value, which is 800,000 SAR. Selling and transferring real estate is considered a real estate disposal and is subject to a 5% RETT with a tax of 40,000 SAR imposed on the transaction, which must be paid to the Authority by the seller before completing the transfer procedures at the notary public.

#### 3.2. Tax Base for Calculating the Tax Due

The tax base for the Real Estate Transactions Tax is determined or calculated on the basis of the agreed-upon value between the two parties or parties to the disposal or the value of the property, provided that it does not reduce the fair market value on the dates of the disposal. The value of the real estate shall not include implicit profit margin if the disposal process permeates any of the financing cases provided by the licensed parties legally.



Accordingly, the fair market value is based on a comparison with similar and concurrent real estate under disposal. The fair market value must be based on the price that can be obtained by unrelated buyers within the usual context of the transaction.

### Example (3)

On January 20, 2020, two people agreed to sign a sale contract in which the seller sold land to the buyer for one million SAR. While the Authority has discovered that the fair market value of the land at the time of the contract was 1,500,000 SAR, and that the value was reduced due to the existence of a kinship relationship between the parties, the tax base was calculated by 5% according to the fair value market and a tax will be imposed on that amount.

### Example (4)

A person paid one million SAR for a housing unit, and he bought it through financing from the bank. However, the cost of the financing was 400,000 SAR, which was added to the value of the property within the periodic installments required to be paid by the buyer over a period of 10 years. Thus, the buyer is required to pay 1,400,000 SAR. Here, the tax is calculated at 5% of the total value of the property under the sale, which is specified at one million SAR, and the value of the aforementioned financing cost is not included in the tax base calculation.



### 3.3. Tax Due Date

The occurrence event that generates the tax in the case of RETT is considered the occurrence of the disposal itself and the agreement to complete the transaction between the parties. Therefore, the date of the transfer of ownership is the date of the tax due. For example, but not limited to, in the case of a regular sale, the date of the conclusion of the sale contract is the date on which the disposal under which the transfer of ownership of real estate to the buyer is proven. Thus, the date of the tax is proven. Also, procedures of direct transfer of ownership at the competent authority by authentication of the ownership (at the notary public) or the date of the conclusion of the contracts in cases of Ijara ending by ownership or financial lease ending by ownership.

#### Example (5)

The two parties concluded a sale contract for a residential unit on 12/21/2020 at a value of one million SAR, therefore, the date of the contract conclusion is the date of tax entitlement.

### 3.4. The Payment of the Due Tax Date

The Implementing Regulations of the Real Estate Transaction Tax set a number of dates that can be used when determining the time of payment of the RETT in accordance with the General Regulation that the date of payment of the tax is due on or before the date of documentation of the disposal, so that the tax can be paid as soon as the occurrence of the event that generates the tax—i.e., the disposal—and transfer of ownership is proven. In all cases, the person cannot document the transaction, whether by conveyance to the Notary Public or documentation at any other competent authority based on the circumstances, before paying the tax to the Zakat, Tax and Customs Authority and obtaining what indicates for that or evidence of the transaction's exemption from being subject to the RETT if any exception cases apply to the transaction.



The Regulation also clarified the date of tax payment for some cases, for example, but not limited to the following:

Type of Transaction	Payment Date
Sale of real estate documented at the Notary Public or a legally approved notary	Tax to be paid on or before the date of documentation
Documentation of a non-excluded property (gift)	Tax to be paid on or before the date of documentation
The lease contract ending by ownership and finance leases contract	Tax to be paid on or before the date of documentation
Long-term usufruct rights	Tax to be paid on or before the date of documentation
Documenting the sale of a property by public auction, whether it is commercial sale or forced execution	Tax to be paid on or before the date of documentation
Waiver of usufruct rights, whether lease to own or long-term lease	Tax to be paid on or before the date of documentation and signing of a waiver contract shall be deemed to be authentication if the authentication procedure is not applied
Off-plan sale of a property	Tax to be paid on or before the date of documentation.

### 3.5. Special Cases for Tax Due Date

The tax shall be paid in cases that are not included by the official documentation procedure with the competent Authority or the approved notary - the disposal proven by unofficial documents - within 30 calendar days from the date of the contract or the final agreement for the occurrence of the disposal in accordance with Article (4) of the Implementing Regulations of the Real Estate Transaction Tax.



### Example (6)

The two parties have agreed that the first party will grant the second party the usufruct right of the land owned by the first party, so that the second party will benefit from its cultivation for 50 years. Thus, the occurrence of the event that generates the tax under the agreement, which is considered an unofficial document, has been proven, and the a 5% tax will be imposed according to what is explained above. Therefore, the disposer (the first party) must use the RETT service platform on the Authority's website to disclose the transaction and pay the tax due for it not exceeding thirty days from the date of the disposal occurrence.

In some cases, the parties conclude fictitious or concealed contracts for the purpose of achieving certain goals. The Authority has the right to rely on fictitious or concealed transaction for the purposes of applying the provisions of the Real Estate Transaction Tax and in accordance with the requirements of collecting the tax fairly.

### Example (7)

Two individuals have agreed to conclude an undocumented and undisclosed customary contract whereby one of the parties will benefit from the property owned by the other party, as if the first party had become the owner, the Authority has the right to prove the occurrence that generates the tax in the event of discovering such cases.

## 3.6. The Individuals Obligated to Pay the Tax

The principle in tax collection is that its fulfillment is the responsibility of the disposer (the seller), while both parties can agree to be borne by the buyer to be expressly stated in the concluded contract and to clarify each of the tax amounts and the total value of the property separately in the contract, not indicating the total value of the tax, knowing that in all cases, the disposer remains obligated to the authority to supply the tax and is responsible for all the obligations related to it. The disposer and the party disposed to shall also be jointly liable for any tax liabilities due under the Implementing Regulations of the Real Estate Transaction Tax, and the Authority shall have the right to refer to them jointly or individually, depending on the circumstances.





### **Example (8)**

Two individuals concluded a sale contract for a real estate on January 20, 2020, which includes the seller's sale of land for one million SAR, and the two parties agreed that the buyer would pay the tax on the real estate transaction due for the sale. This was stipulated in the sale contract, and the value of the property is set at 1 million SAR, and the value of the tax is 50,000 SAR paid by the buyer to the seller, who in turn pays it to the Authority through a specific mechanism.

## **4. Real Estate Transaction Tax Exclusions**

The Real Estate Transaction Tax Implementing Regulation included a number of real estate transaction exceptions from being subject to the RETT entirely, except what the Authority determines at its partial assessment, concerning social or economic dimensions, as well as to help citizens and ensure that the same transaction or tax is not paid more than once, or being subject to the RETT after previously being subject to the VAT.

### **4.1 We address those exceptions in more detail as follows:**

#### **4.1.1. Disposal of Property in Cases of Division or Distribution of the Inheritance**

This exception was taken into consideration in order to exclude real estate transaction that result from the division of the inheritance, whether from the deceased to the heirs or between the heirs, within the limits of their legitimate shares, in accordance with the heirs' inventory instrument, as this is not considered equivalent to the sale/disposal of the property subject to distribution. It is required that the disposal be limited only to the distribution and division of the inheritance within the limits of the legitimate shares, and this exception does not extend to the disposal of the heirs in their shares, nor does it include the sale by one of the heirs of his share, whether that sale is to one of the other heirs, or to another person other than the heirs.



### Example (9)

A person died and his inheritance was distributed among the heirs' sons and daughters, and the share of one of them from the inheritance was to obtain the house.

In this case, this disposal will be exempted from the RETT when transferring the real estate, and the real estate must be registered with the Zakat, Tax and Customs Authority to obtain what is indicate the exception from paying the RETT, as the transferring process will not be accepted by the notary public without registration, and in the case of the heir selling the real estate after the distribution of the inheritance, such a sale is subject to the RETT, as well as if the real estate is sold by the heirs before the distribution of the inheritance for the purpose of dividing it in cash between them, then that sale is subject to the RETT.

#### **4.1.2. The disposal of property free of charge to licensed non-profit organizations and endowments.**

This exception has been added to encourage the suspension of real estate for charitable purposes without incurring additional costs that hinder the completion of the process, especially if there is no money in the process, and the same applies to donating the property to a licensed charitable body, which means charitable bodies that are licensed and allowing them to carry out their charitable activities legally, such as licensed charities supervised by the Ministry of Labor, and with regard to the family endowment, there are multiple types such as: the family endowment of children ( sons and daughters) and grandchildren.



This exception is limited to the first disposal of the real estate (free of charge) to the endowment or the licensed charity, in the case of the endowment disposed the real estate whether by sale, or the granting of a long-term usufruct (more than 50 years), such disposal is subject to real estate transaction tax.

It should be noted that real estate is not exempt from the RETT once it has been disposed for a family endowment, charitable endowment, or a licensed charity unless the disposal is free of charge. Therefore, the RETT applies if the disposal was undertaken for an endowment or a licensed charity in exchange.

### **Example (10)**

The owner wanted to grant a land to a licensed charity free of charge.

The seller is excluded from paying the RETT in this case, considering the need to ensure that the land will be granted free of charge, as well as to ensure that the charity is licensed legally.

### **Example (11)**

A charity granted a company the right of usufruct of that land for 70 years at a cost of 100,000 SAR per year.

In this case, such disposal shall be subject to the RETT, as the exception only applies to the first disposal made by the owner to a charity starting at no cost, any disposal made by the charity for the purpose of managing or benefiting from the land are not covered by the exception and shall be subject to the RETT unless they are covered by another exception outlined in the Regulation.



## Example (12)

A residential building was sold for a charity endowment of one million SAR.

In this case, the disposal is subject to the RETT, as the exception is limited to the first disposal made by the owner to a charitable endowment, provided that it is free of charge, therefore, the disposal is subject to the RETT at a rate of 5% as the disposal was made by sale for one million SAR.

### 4.1.3. Disposal of the property to a government entity, public legal person or public benefit entities and projects

This exception aims at not causing any additional burdens on government entities, which means public authorities, legislative and executive bodies, and units of the local administration when purchasing real estate for their private uses, as well as the same applies to public legal persons such as: public authorities that often have an independent legal personality; projects of public interest, and public benefit for the purposes of the RETT Regulation, bodies and institutions that carry this status under law of civil society associations and organizations. Although the disposer bears the RETT, it is known that it may be agreed between the disposer and the party disposed to, or the seller and the buyer, that the buyer or the disposer bears the tax, or that it is divided between the disposer and the party disposed to. Therefore, this exemption removes the burden on government agencies, public legal persons, as well as public interest entities and projects. It should be noted that this exception applies to the purchase of real estate by those entities, whatever the purpose, or the use for which the real estate was purchased.



### **Example (13)**

A ministry purchased a property from a person for 1.5 million SAR to be used in the activities of that body.

In this case, the seller is excluded from paying the RETT before the transferring process for the benefit of the ministry.

### **Example (14)**

A public entity purchased a commercial real estate from a person amounting to 10 million SAR for using it in commercial activities for the purpose of generating revenues for that entity.

The seller in this case excluded from paying the tax prior to the transfer process for the authority's benefit. The public authority's purchase of the real estate is not subject to the RETT regardless of the purpose or use for which the authority purchased the real estate, whether this purpose or use is commercial or not.

#### **4.1.4. Disposing of the property by a government entity as a public authority outside the economic, investment or commercial activity framework**

This exception has been added to allow government entities that dispose of real estate as public authority in accordance with their regulations that oblige them to perform that disposal within the framework of the public authority (such as the Ministry of Housing and the State Properties General Authority) to dispose of real estate without imposing tax, only for disposals that are carried out within the framework of the public authority and that are not intended to compete with the private sector, to help them perform their roles entrusted to them for the benefit of the state, especially if the disposer or seller is the one who bears the tax on real estate transactions.



It must be pointed out here that this exception is limited to the governmental entities when performing its role as a public authority, which must be verified by the authority to ensure the correct application of the exception.

### **Example (15)**

The Ministry of Housing sold an apartment to a person at its cost to support the citizens in order to obtain adequate housing.

The seller (Ministry of Housing) is excluded from paying the RETT before the transfer process, because the Ministry of Housing has sold the apartment in the framework of its role as a public authority responsible for supporting citizens in buying appropriate housing at a low price supported by the state.

### **Example (16)**

The Ministry of Housing sold a house in a resort to a person for 3 million SAR according to one of the investment programs managed and implemented by the Ministry.

This disposal is subject to 5% RETT by the seller (Ministry of Housing), given that the Ministry of Housing has sold the house as part of its performance of one of the investment economic activities in which it competes with the private sector and not as part of its role as a public authority.



#### **4.1.5. Forcible disposal of the real estate in cases of expropriation for public benefit or temporary taking of property**

This exception aims to mitigate and help citizens whose real estate is expropriated for the public benefit, as the RETT is on the disposer (the person whose real estate is expropriated for the public benefit), as the disposal in this case is considered a forced unintended disposal in itself by the disposer, and he did not have a decision regarding it. This exception applies only in the case of expropriation of real estate for the public benefit according to the rules in force in the Law of expropriation of real estate for the public benefit and compulsory temporary ownership of real estate, if the expropriation is forced for the purpose of paying a debt, enforcement of judgment, or dispute. In this case, it is subject to the RETT, and the exclusion does not apply.

##### **Example (17)**

An enforceable judicial decision was issued regarding the expropriation of real estate for the public benefit for the purpose of establishing a road, provided that the owner is compensated with 800,000 SAR.

The owner of such real estate is excluded from paying the RETT before the process of real estate transfer or documentation, where the transfer of ownership of the real estate was forced for the public benefit by a decision of expropriation issued by a competent authority in accordance with the regulations in force in the Kingdom.

##### **Example (18)**

An enforceable judicial decision was issued regarding the expropriation of real estate to a bank, in fulfillment of a loan obtained by the owner of that property, and he was unable to pay it.

That disposal is subject to the RETT. Although the transfer of ownership of the real estate was forced, it was not done with the intention of the public benefit, but was to pay the debt, and therefore the RETT due on this disposal must be paid before the transfer of ownership.



The disposal of the property as a documented gift with the competent authority, for the husband, wife or one of the relatives up to the second degree, Provided that the recipient does not dispose of the gift of the property to whom this exception would not have applied if the property had been gifted to him directly by the first donor, for a period of three years from the date of documenting the gift

It is common for people to distribute their legacy during their life as a gift to their relatives who are entitled to the inheritance, and they intend to limit the possibility of disposing of the gift without imposing the RETT on the husband, wife, or relatives up to the third degree. Provided that it not be transferred to a third-degree relative of the disposer for a period of three years from the date on which the gift was documented; given that it is uncommon for property to be donated to a class higher than the third class, an effort should be made to create a control to stop the exploitation of gift transactions in order to avoid paying the legally required tax.

### **Example (19)**

One person gave his land, which had a market value of 1 million SAR, to his brother (free of charge) and wanted to transfer the land at the notary public. The disposer (donor) is excluded from paying the RETT for the value of the land before the transfer process, as the gift was made for free for the benefit of the brother, who is a relative of the third degree (sons, daughters and the descendants).

### **Example (20)**

A person gave his land, which had a market value of 1 million SAR, to his cousin (for free) and wanted to transfer the land at the notary public.

This disposal is subject to the RETT at a rate of 5%, and the disposer (donor) must pay the RETT for the value of the land before the transfer process, as although the disposal represents a gift without payment, the cousin is not a relative up to the third degree. Therefore, this disposal is not included in the exception contained in the Implementing Regulation of the RETT.





### Example (21)

A person sold his land to his father for one million SAR and wanted to transfer the land into his name at the Ministry of Justice.

This disposal is subject to the RETT at a rate of 5%, and the disposer must (the seller) pay the RETT of the value of the land before the transfer process, as the disposal is for the father, which is one of the relatives of the first degree, but the disposal was represented in the sale for a fee, not a gift without a fee, therefore this disposal is not included in the exception contained in the Implementing Regulation of RETT.

### Example (22)

A person wanted to sell land worth 4 million SAR to his cousin, but in order not to pay the RETT, he gave the land to his cousin as a gift for free, provided that his grandfather granted it as a gift without fee to his grandson (the landowner's cousin), as each of these two disposals represents a gift to one of the relatives up to the second degree, and therefore, they are excluded from being subject to the RETT.

Although both disposals represent a gift to a relative up to the third degree, which is excluded from the RETT, but the previous example shows the parties of the transaction have done that arrangement in order not to be subject to the RETT, which is one of the cases of tax evasion according to the Regulation, and therefore the authority has the right to refer to all parties to the transaction; to collect the tax, impose the fines and penalties, including the penalty of tax evasion.

#### 4.1.7 Real Estate Transaction according to a Documented Legal Will

The legal will shall be excluded from being subject to the RETT provided that such will is legally authenticated.



### Example (23)

A person made a will to grant land to one of his relatives after his death, and that person documented that will.

This disposal is excluded from being subject to the RETT because the will is in accordance with the rules stipulated in the exceptions contained in the RETT Regulation.

#### **4.1.8. Disposing of the real estate temporarily for the purpose of using it as a guarantee for financing or credit unless it is not disposed of on the real estate subject to the guarantee or credit by permanently transferring it to the financier or other**

This exception aims at not imposing a RETT, in which the real estate is temporarily transferred to the financier or the creditor as a guarantee for the payment of the debt, whether this is done in the form of a mortgage or a transfer of ownership with evidence that proves the process is a temporary transfer of the real estate that ends by paying the debt owed by the person and not a permanent transfer to the creditor or a third person other than the creditor and the debtor, in order to collect the creditor's debt. It also includes the case of the second transfer of ownership of the real estate to return it to the original owner (from the financier or the creditor) after full payment of the debt owed to him.

### Example (24)

An individual wanted to obtain a personal loan from a financial institution, and the institution required that the mortgage be made or transferred in its name as a guarantee until the person pays the full value of the loan in addition to the interest on the credit.

This disposal is excluded from being subject to the RETT as the real estate here is temporarily transferred until the debt owed to the financing body is paid, and then it returns to the owner again.



The execution of the real estate mortgaged to transfer its ownership permanently is considered as a taxable disposal and changing the temporary form of the real estate disposal to a non-temporary form, the disposer in this case is the owner of the real estate (the mortgagor) who mortgaged the real estate to the mortgagee in accordance with the relevant legal provisions. Transferring the real estate ownership permanently from the debtor to the creditor or financier to settle the remaining indebtedness is also subject to the RETT.

### Example (25)

If, as in the previous example, the lender was unable to repay the loan, the financial institution would have seized possession of the property to repay the debt.

In this case, this disposal is subject to the RETT, as the transfer of ownership of the property has become final, not temporary. Therefore, the exception stipulated in the Regulation does not apply to this disposal.

The exception for the temporary disposal of the real estate for the purpose of using it as a guarantee for financing or credit includes cases in which real estate is transferred between a number of banks or financiers as part of a transfer of indebtedness between them, that is done in accordance with the financial lease to which the creditor is entitled (the bank) to transfer the indebtedness (the remaining unpaid amount including the cost of financing) to another bank, or to a refinancing company, with the transfer of real estate permanently to the final beneficiary after payment of the full remaining amount to the financing company, thus, the real estate deed, provided that the nature of the beneficiary or of the property in the various contracts of the transmission of indebtedness between the different financing agencies, do not change, knowing that basic disposal (from the first bank to the final beneficiary) was done on the date of the completed lease in accordance with the provisions of the RETT Regulation. Transferring the contract from the name of the lessor to another lessor with the lessee and the property remaining as they are, is considered a temporary transfer for the purposes of recovering the value of the financing to the parties to the transaction.



The Authority considers that the transfer of real estate between banks and various financing companies as part of a debt transfer or refinancing as a temporary transfer until the full payment of the outstanding indebtedness is completed, thus completing the procedures for establishing the final transfer of ownership to the final beneficiary under the original lease contract.

### Example (26)

One of the individuals purchased a residential property through a lease contract with an Islamic bank to pay the value of the property and the cost of financing in periodic installments for a period of ten years. After making the payments for the first three years, he received an offer from another bank to transfer the lease contract (indebtedness) against a reduction in the cost of financing from the remaining period of the lease contract. The ownership of the property was transferred from the first bank to the second bank with no change in the description of the property or the beneficiary.

This process considers a temporary transfer of real estate from the first bank to the second bank for the purpose of using the real estate deed as guarantee to pay the debt owed by the final beneficiary and is excluded from the RETT.

The exception for the temporary disposal of real estate for the purpose of using it as collateral for financing or credit also includes cases in which ownership of a number of real estates is transferred as a portfolio that includes ownership of a number of real estates to a number of customers to a new financier or to a refinancing company.



### Example (27)

One of the Kingdom's institutional real estate refinancing companies made an agreement with a bank to purchase a portfolio representing 100 Ijara contract with a number of its clients. Under that agreement, the refinancing company will pay the bank for those contracts after obtaining an agreed deduction with the bank calculated on the basis of the cost of financing, provided that the bank transfers ownership of all such instruments to the refinancing company, which in turn will collect the remaining payments from the final beneficiaries and transfer the deed in their names after paying the dues.

This entire transaction is considered as a temporary transfer of real estate from the first bank to the second bank for the purpose of using the real estate deed as collateral to pay the debt owed by the final beneficiary, and it is excluded from the RETT.

#### **4.1.9. The disposal of the property prior to the effective date of the RETT Regulation, in implementation of leasing contracts for the purpose of ownership, and financial leases**

This exception aims at not imposing a RETT on disposals related to real estate that will be transferred to the competent authority as a result of leases contracts (Ijara) ending in ownership, and the financial lease ending in ownership that was concluded before the effective date of imposing the RETT, and these real estate may have been subject to a VAT in the event that the real estate is transferred from the financial entity to the final beneficiary after the effective date of the VAT in the Kingdom in 2018, and these properties may not have been fully taxed in the event that the contracts are concluded and the transfer of the real estate to the final beneficiary before the effective date of the Law. In all cases, the process of real estate transfer at the notary public is excluded from RETT.

### Example (28)

One of the individuals purchased a real estate through the Ijara in 2012 and 2022, the real estate was transferred for him after paying the full installments due on the real estate.

This disposal is not subject to the RETT in accordance with the exception stipulated in the regulation where the Ijara contract was concluded, and the property was in possession before the effective date of the RETT.



#### **4.1.10. The disposal of the property temporarily for the purpose of transfer between a fund and a custodian or vice versa or between custodians of the same fund**

This exception aims at not imposing a tax on the temporary transfer of real estate between the fund, the custodian or vice versa, or among the custodians of the same fund, as it is recognized that the real estate investment funds do not have the real estate owned by the funds because there is no legal person for the fund, and a preservation company is established for the purpose of registering the ownership of these real estate, and in some cases the custodian is changed by another custodian, and the transfer of ownership in these cases is not considered as a permanent disposal for the purposes of taxation, and thus not subject to the RETT, provided that it is in accordance with the provisions of the financial market Law, rules and regulations.

#### **4.1.11. The disposal of the property by offering it as an in-kind share in the capital of any person in a company established in the Kingdom (other than joint venture companies), provided that this company maintains financial statements audited by a certified external auditor for the entire five years following the date of registration or ownership of the shares or shares corresponding to the property**

This exception aims to facilitate transactions that aim to increase the capital of joint-stock or limited liability companies, solidarity companies, or limited partnership companies through the contribution of real estate as an in-kind share in it, and to keep the stocks corresponding to that share for a period of not less than five years from the date of registration or ownership of shares or stocks corresponding to the real estate, and also to keep those companies with audited financial statements from external audits throughout the period of five years, in order to prevent the misuse of this exception.



### Example (29)

A person wanted to join as a partner in a joint-stock company with a number of other shareholders, and they agreed with him to provide one of the buildings that he owns, valued at 5 million SAR, in exchange for his share of the joint-stock company's capital and to obtain shares in exchange for that. This person agreed to the agreement, and on October 15, 2020, he transferred the property to the joint-stock company and obtained shares worth 4 million SAR.

This disposal is not subject to the RETT according to the exception stipulated in the Regulation, and this person is required to keep the shares for a period of five years in addition to the company's maintenance of audited financial statements from an external auditor throughout the period of five years.

### Example (30)

Assuming that in the previous example this person sold the shares on 15 November 2025.

In this case, the exception that he obtained from being subject to the RETT in 2020 remains true, as the sale of shares was more than five years after the date of obtaining them.

### Example (31)

Assuming that in the previous example this person sold the shares on 15 November 2024.

In this case, this person has sold the shares before the five-year period. As a result, the exception that he obtained from being subject to the RETT in 2020 does not count, and the disposal that was transferred to the shareholder company in 2020 becomes subject to the RETT.



**4.1.12. The disposal of property if one of the parties to the disposition is a foreign government, an international organization, an authority, a diplomatic or military mission, or a member of the diplomatic, consular, or military corps, accredited in the Kingdom, subject to reciprocity.**

This exception aims at not imposing tax on real estate that is owned or used for long periods by international organizations in accordance with the international agreement concluded by the Kingdom, as well as not imposing tax on real estate that is owned or used for long periods by governments, diplomatic, consular, and military missions, provided that the principle of reciprocity is applied by the countries represented by those governments, authority and missions to the representatives of the Kingdom in those countries.

**Example (32)**

One of the embassies in the Kingdom wanted to move its headquarters, so it sold its old headquarters building for 4 million SAR and bought a new building for 6 million SAR.

The disposal is not subject to the RETT, provided that the Saudi diplomatic mission receives the same transaction in the state of that embassy, so it is exempt from any tax imposed in that state on the purchase or sale of real estate, and in accordance with the exception stipulated in the Regulation, where the exception of the RETT Regulation excludes all disposals where one of the parties are the governments, bodies, consular, or military, provided that the principle of reciprocity is applied.





#### **4.1.13. Real estate supply that was subject to VAT before it was documented - if later documented after the tax became effective**

This exception aims to avoid imposing the RETT on transactions concluded prior to the effective date of imposing the RETT and that were previously subject to VAT on the date of the contract, so that the tax is not imposed twice (once as a VAT and again as a RETT).

##### **Example (33)**

One of the individuals purchased a real estate property through the Ijara contract, and the possession of the property was transferred to that person by the supplier (the financing institution) on September 5, 2019. The supplier (the institution) declared the VAT at 5% on the date of signing the Ijara contract and transferred possession of the property to the beneficiary; in 2024, the property was transferred to the beneficiary after paying the full installments due on the property.

This disposal is not subject to the RETT according to the exception stipulated in the Regulation, as the disposal was subject to VAT upon transfer of ownership and possession to that person.

#### **4.1.14 The disposal of the property by the partner in the company by transferring the property in the name of the company**

This exception aims to avoid imposing a RETT that aims to rectify the situation by transferring ownership of a property from a partner in a company to that company, provided that the real estate is proven in the company's assets before the date of the RETT. The disposer (the partner) shall submit audited financial statements or an approved certificate (from a licensed legal accountant) proving the inclusion of real estate in the company's assets before the date of the RETT and until the date of the disposal.



### **Example (34)**

One of the individuals transferred the ownership of one of the properties owned by him to the company in which he is a partner in August 2015, and he was included in the approved financial statements of the company, but this property was not transferred in the name of the company until October 10, 2020, (after the implementation of the RETT).

In this case, the RETT shall not be imposed on this disposal, as it has been proven to have taken place before the application of the tax in accordance with the company's approved financial Regulations, and the burden of proving this to the authority lies on the disposer.

### **4.1.15 The disposal of the property by presenting it as an in-kind contribution to the capital of a real estate investment fund upon the establishment of the fund**

This exception aims to exclude real estate transactions under which real estate is provided as an in-kind contribution to the capital of investment real estate funds at their establishment stage, in accordance with the provisions of the financial market law, regulations and instructions issued based on it, and this exception does not include funds that are established with the aim of renting real estate.

### **Example (35)**

A person contributed to one of the real estate investment funds that was established with the aim of developing and reselling real estate, and this was done by providing one of the real estate owned by him as in kind-contribution to the capital of the fund. In this case, the RETT is not imposed.



### Example (36)

It is assumed that the purpose of establishing this fund in the previous example is to rent properties. In this case, the RETT is imposed on providing his property as in kind-contribution to the fund, because the fund's goal is to lease properties.

**4.1.16. The real estate transaction made by a natural person to a company or investment fund registered in the Kingdom of Saudi Arabia, and this person owns, either directly or indirectly, all of the shares or units of the company or fund. This holds true even if the proportionate ownership of natural persons in both the real estate property and the receiving entity is identical, provided there is no alteration in the ownership percentage of the person in the receiving entity for a minimum of five (5) years from the date of the real estate transaction.**

### Example (37)

Ahmed (owner) transferred a real estate property to his company, wholly owned by him, or to a fund wholly owned by him, and the owner's full ownership percentage in the company or fund did not change for a period of five (5) years from the date of the real estate transaction. Therefore, this real estate transaction is exempted from RETT.

### Example (38)

Ahmed and Abdullah (owners) own the same property, (50%) each, and own a company or fund, and the percentage of ownership in the company or fund is identical to the percentage of ownership in the real estate property, and the full ownership percentage in the company or fund of both owners did not change for a period of five (5) years from the date of the real estate transaction.



### Example (39)

Ahmed (owner) transferred a real estate property to Company (B), owned by Company (A), in percentage of (100%), which is wholly owned by Ahmed, and Ahmed's indirect ownership in Company (B) did not change for a period of five (5) years from the date of the real estate transaction. Therefore, this real estate transaction is exempted from RETT.

This paragraph aims to exclude real estate transactions made in case the natural persons transfer their real estate property to entities, companies or investment funds, incorporated in the Kingdom of Saudi Arabia that they own directly or indirectly, provided that the full ownership percentage of such persons in both the real estate and the companies are identical.

**4.1.17. Real estate transaction between two companies incorporated in the Kingdom of Saudi Arabia, one of which owns, directly or indirectly, all of the other company's shares; the real estate transaction between a company and an investment fund incorporated in the Kingdom of Saudi Arabia, and the company owns, directly or indirectly, all the fund's units; and real estate transaction between companies or investment funds incorporated in the Kingdom of Saudi Arabia, all of whose shares or units are owned, directly or indirectly, by the same persons. In all cases, it is required that all of the receiving company's shares, or the receiving fund's units remain owned, directly or indirectly, by the same persons for a period of no less than five (5) years from the date of the real estate transaction.**

### Example (40)

A company transferred real estate property to one of its wholly owned companies, and there was no change in the percentage of ownership of the receiving company for a period of five (5) years from the date of the real estate transaction. Therefore, this real estate transaction is exempted from RETT.



### Example (41)

Company (A) transferred a real estate property to a fund wholly owned thereby, provided that the fund's ownership percentage does not change for a period of five (5) years from the date of the real estate transaction. Therefore, this real estate transaction is exempted from RETT.

### Example (42)

Company (A) transferred a real estate property to Company (C), which is wholly owned by Company (B), which is wholly owned by Company (A), and the indirect ownership of Company (A) in Company (C) did not change for a period of five (5) years from the date of the real estate transaction. Therefore, this real estate transaction is exempted from RETT.

### Example (43)

Company (B) transferred a real estate property to Company (C), and both companies (B and C) are wholly owned by Company (A), and there was no change in the percentage of ownership of Company (C), owned by Company (A), for a period of five (5) years from the date of the real estate transaction. Therefore, this real estate transaction is exempted from RETT.

This exception aims to encourage persons to restructure their businesses without financial burdens, taking into account that real estate transactions made between companies or between companies and funds shall be fully owned by the same person, and his full ownership in the receiving company remains the same for a period of five (5) years from the date of the real estate transaction in order to be covered by this exception.

**4.1.18. The real estate transaction made by a person to a real estate developer licensed to practice off-plan sale and leasing activities in accordance with the laws, regulations, rules and instructions in force in the Kingdom of Saudi Arabia, provided that the real estate property is allocated to an off-plan sale project which is licensed under a decision of Off-Plan Sale and Leasing Committee.**



### **Example (44)**

A person made a real estate transaction by transferring ownership of the real estate property to a real estate developer licensed to practice off-plan sale activities, and such property was licensed as an off-plan sale project.

This exception aims to support off-plan sale projects, as long as the exception conditions are fulfilled, which are that the property shall be licensed as an off-plan sale project by Off-Plan Sale and Leasing Committee, and that the real estate transaction be made to a real estate developer licensed to practice off-plan sale activities.

**4.1.19. The real estate transaction made for no compensation to a company incorporated in the Kingdom of Saudi Arabia, wholly owned directly or indirectly by a family or charitable endowment, provided that there is no change in the endowment's percentage of ownership in the receiving company for a period of five (5) years from the date of the real estate transaction.**

### **Example (45)**

A real estate transaction made for no compensation to a company wholly owned by a family or charitable endowment, and the full ownership of the endowment in such company remains the same for a period of five (5) years from the date of the real estate transaction.

This real estate transaction is exempted from RETT, provided that all shares in the company are owned by the endowment and that there is no change in ownership of the endowment in the receiving company for a period of five (5) years from the date of the real estate transaction.



**4.1.20. Returning the real estate property to the previous owner due to revoking the real estate transaction, authenticated by notary public, under mutual consent of the parties within a period of ninety (90) days from the date of authenticating the real estate transaction, subject of the revocation, provided that there is no change in the status of the real estate property and its full value is returned.**

### **Example (46)**

The purchaser and seller mutually agreed to revoke the real estate transaction and to return the real estate property and its value.

This real estate transaction is exempted from RETT in accordance with the exception provided for in the Regulations if the agreement was consensual within ninety (90) days from the date of authenticating the real estate transaction, subject of the revocation, and the purchaser returns the property without making any changes to its status at the time of authenticating the transaction, subject of the revocation, and the seller returns the full value. If the conditions of the real estate transaction revocation exemption from RETT are fulfilled, the tax on the revoked real estate transaction is refunded.

### **4.2. The transaction is subject to the RETT only once**

This is a general rule since the same disposal may not be subject to the RETT more than once, if a number of requirements are met:

1. There is no change to the disposal parties.
2. Any changes or amendments to the property in question shall not be made, and the property shall be in the same condition.
3. Any changes or modifications in the value of the property in question shall not be made.



In the event of a breach of any of the above requirements, such disposal is considered a new disposal, therefore, it does not apply to the exception referred to above, and is subject to the RETT.

The same disposal is subject only once to the RETT according to the exception stipulated in the Regulation, where it was previously, and the first disposal, between the parties to the transaction, is subject to the RETT. The Authority considers that transactions related to Islamic leasing (Ijara) and the like, and involving two disposals under two instruments of sale, in which the parties to the transaction, the real estate, the value, and the terms of the contract are exceptional, where such contracts are more than disposed of by the same real estate with the goal of transferring its final ownership to the final beneficiary. Consequently, the disposals subsequent to the first taxable disposal are excluded in order not to impose the tax on the same property and with the same value (as the implicit profit margin is not included in all cases within the value of the real estate for the purpose of calculating the tax due). This example is one of the examples in which the exception mentioned in paragraph (b) of Article (3) of the Implementing Regulation of the RETT is applied.

### **Example (47)**

A person purchased a real estate through the Ijara contract, and his ownership was transferred from the owner of the first real estate (Real Estate Development Company) to the financier who purchased the real estate in his name based on the request of the beneficiary. In accordance with the rules in force, on December 5, 2020, the developer paid the RETT by 5% on the date of the first disposal, and in 2030, the real estate was transferred to him after paying the full installments due on the property.

The second disposal of transferring the real estate for that person shall be exempted from the RETT in accordance with the provisions of Paragraph (B) of Article (3) of the Real Estate Transaction Tax Regulation, as the disposal was previously subject to the RETT by the transfer of ownership and possession of that person in December 2020.





## 5. Implementation Mechanism of Real Estate Transaction Service

In normal circumstances and in accordance with the procedures for the service of real estate transactions, which must be completed before the completion of the transfer procedure, and documentation with the competent authorities or when conducting disposal that do not require documentation, such as: the right of long-term benefit that exceeds 50 years, in the Authority, the disposer visits the website of the Authority ([Zatca.gov.sa](http://Zatca.gov.sa)) and chooses the RETT service and then enters the data, the instrument number, or the contract generating the disposal in accordance with what is explained in this guideline.

The disposer then discloses the nature of the property, its type, whether or not the disposal of the excluded cases was legally, and the value of the sale is entered, according to which the Authority calculates the amount of the tax and issues a payment invoice of 5% of the value of the sale, to be paid by the disposer or buyer according to the circumstances.

Therefore, the seller, whether individual or establishment, can also enter the data of the deed or real estate contract, disclose the nature of the disposal, and then issue the invoice and pay the amount of tax as a requirement to end the process of transferring at the notary public or ending the documentation of the real estate disposal, by using the e-connection with the Ministry of Justice.

### Procedures Related to the Ministry of Justice

Under the payment of the invoice described above, the notary public shall terminate the transfer process, document the contract, and notify the seller of the completion of the process.

### The mechanism of benefiting from state borne RETT for the first residence

In a joint statement, the Authority and the Ministry of Housing indicated that the buyer, who is the beneficiary of the initiative of the state to bear the RETT for the first residence, shall obtain a certificate of "first residence" from the website of the Ministry of Housing ([www.housing.gov.sa](http://www.housing.gov.sa)), which he shall submit to the seller, provided that the latter shall access the website of the Zakat, Tax and Customs Authority ([Zatca.gov.sa](http://Zatca.gov.sa)), then choose (Real Estate Transaction Tax) service and then (request the registration of real estate). The Authority confirms the entitlement of the buyer to this initiative, then it excludes the amount of tax from the amount of the sale -without calculating 1 million SAR- and imposing it at the rate of 5% on the amount in excess of it.



## 6. Fines and Penalties

### 6.1 Fines

The Authority may impose fines and penalties on taxable persons in respect of violating the provisions and conditions of the Implementing Regulation of the Real Estate Transaction Tax stipulated in the Regulations.

The description of the violation	Fine
The following violations shall be considered tax evasion violations in accordance with the provisions of Article (9) of the Implementing Regulations of the Real Estate Transaction Tax unless the violator proves otherwise:	
1. Providing incorrect information about the value of the real estate disposal, which results in the non-payment of the tax due in whole or in part. This applies when the value of the real estate disposal is registered at a value that is lower than the actual value that the parties have agreed upon, which leads to the reduction of the value of the RETT due on the disposal	Not less than the amount of tax due And not more than the threefold
2. Making any tricks, arrangements or means of any kind or nature that prevent payment of the whole or partial tax due.	
3. Any other act or practice that results in non-payment of the tax due in wholly or partly.	
4. Any person who assists or participates with the violator of tax evasion shall be subject to the same penalties as those referred to in this Article. If it is proven that anyone assisted the disposer to avoid paying the tax in any manner, that person will be regarded a party to the violation and ZATCA has the right to hold that person accountable by imposing the same tax evasion penalties outlined in Article (9) of the Implementing Regulations.	



The description of the violation	Fine
Any violation of this Regulation's provisions. This includes, for example but not limited to, the refusal to submit data and documents requested by ZATCA from the disposer and the real estate subject to the RETT	Not less than 10,000 SAR, and not more than the tax due.
Failure to pay the tax due within the period specified by law.	A fine worth 5% of the value of the unpaid tax for each month or part of it for which the tax has not been paid, and to the Minister of Finance in accordance with the rules determined by the exemption or reduction of this penalty.

The Authority shall determine the level of fine or penalty imposed on the taxable person, taking into account the conduct of the taxable person and the record of his compliance with the RETT (including the fulfilment of the taxable person's conditions for reporting any errors to the Authority and cooperating with the it in order to correct errors).



## 6.2 Penalties

Article 9 of the Regulations clarifies the cases that are considered to be tax evasion unless the violator proves otherwise.

Tax evasion cases	Examples
Providing incorrect information about the value of the real estate disposal results in partial or complete nonpayment of the tax.	The disposer submitted forged documents proving the payment of the tax.
Making any tricks, arrangements or means of any kind or nature that prevent payment of the whole or partial tax due.	Manipulating the area of land in plans and deeds when dividing land from the actual reality for the purpose of tax evasion
Any other act or practice that results in non-payment of the tax due in wholly or partly	If it is proven to the Authority that the exceptional cases stipulated in the Law have been unjustly exploited for the purposes of tax evasion
Any person who assists or participates with the violator in evading payment shall be punished with the same penalties referred to in this Article	If it is agreed between the two parties that the disposer submits forged documents for the purposes of tax evasion



## 7. Objection to the Authority's Decisions

According to Article (2) of the tax committees' rules of operation, anyone who has had a decision against them by the Authority has the right to appeal that decision within sixty (60) days of the date on which it was reported. The Authority must make a decision on the objection within ninety (90) days of receiving it. If the decision is issued to reject the objection or if a period of ninety (90) days has passed without taking a decision, the taxpayer shall have the right, within thirty (30) days from the date of being notified of the rejection of his objection to the Authority or the passing of the period of ninety (90) days without taking a decision, to do any of the following:

1. Request for referral of the objection to the Internal Committee for settlement. If the taxpayer rejects the decision of the Internal Committee on settlement or if the time limit in the rules of settlement has expired without reaching a settlement, the taxpayer may file a claim for a grievance lawsuit against the decision of the Authority against the resolution committee within thirty (30) days from the date on which he is notified of the decision by the Internal Committee or if the period has passed without reaching a settlement, and his claim does not include what may have been reached in a settlement with the Internal Committee.
2. File a grievance lawsuit directly to the resolution committee.

## 8. Powers of the Zakat, Tax and Customs Authority

### 8.1 Recalculation of the tax due

The Implementing Regulations of the Real Estate Transaction Tax grant the Authority a number of powers that enable it to manage the tax and verify the validity of the calculation of the tax due. These powers include the right of the Authority to verify the value of real estate or the disposals that have been taken, and to estimate the value of real estate and the disposals that are not specified in value, or that show the value contained in the disposal contract is less than the fair market value or that are submitted with incorrect information or data. The Authority shall also have the right to rely on fictitious or concealed disposals in order to achieve the requirements of tax collection in a fair manner in accordance with Article (4) of the Regulation. It shall also have the right to request any information for the purposes of applying the tax, including coordination with government agencies about everything related to the implementation of the provisions of the Regulation, and to request any information related to the tax, and it shall be kept with a



third party, whether it is government agencies, financial institutions or supervisory authorities, and all individuals shall provide to the Authority any information it requests for the purposes of proving their tax obligations.

## **8.2 Issuing the decisions, rules, and procedures necessary to implement the regulation**

The Implementing Regulation of the Real Estate Transaction Tax granted the Authority's Governor the right to issue decisions, rules and procedures that enable the Authority to play its role in applying the Regulation and collecting the tax, including, but not limited to, examination procedures; assessment of the tax; notification of the person subject to the RETT as a result of the Authority's decision; the payment mechanism; rules for keeping documents and records that are to be kept by the taxable person for tax purposes; the legal periods required for their preservation; the method used in this regard; the procedures for refunding the excess tax; and any other rules related to the tax.

## **8.3 The Authority's Right to Collect Tax**

The provisions of Article (2) of the Implementing Regulations of the Real Estate Transaction Tax state that the Authority is entitled to notify the debtor within thirty (30) working days of any regular means that the financial dues must be paid for tax collection purposes in the event that the debtor does not pay the tax completely. If the debtor does not pay those dues, the Authority shall warn him definitively to pay within fifteen (15) working days. If this period expires, and the debtor does not pay, the Authority shall take the measure of withholding his funds within the limits of the dues claimed and submitted to the competent judicial authority.

The Saudi Central Bank shall also be provided with a copy of the seizure notice, and the seizure shall be dropped by addressing all government agencies and authorities as deemed appropriate by the Authority, in order to seize the assets of any person and his movable or immovable property from those to whom this procedure applies. The Authority may, at its discretion, accept the sale of any assets of the seized person to pay its dues.



## **9. Obligations of the Real Estate Disposer**

The Implementing Regulation of the Real Estate Transaction Tax stipulates a number of obligations that the disposer of the property has to fulfill regarding the sale or the like in accordance with the RETT Regulations, whether he was a seller, donor, waiver, or grantor of the right of usufruct. These obligations vary between the obligation to register the transaction on the real estate on the RETT Authority's platform and to pay the tax and other obligations that will be discussed in more detail as follows:

### **9.1. Registration with the Authority's platform**

The disposer of the real estate by sale or the like in accordance with the Implementing Regulation of the RETT, whatever the form of such disposal, whether it is sale, gift, waiver, or granting the right of long-term usufruct in excess of 50 years, must register that disposal on the ZATCA's platform for the RETT service, with clarification of all the required information about the real estate in question, the value of the disposal, and its parties, before the transfer of the real estate at the Ministry of Justice or document it at the competent authority, in cases that require official documentation of the disposal. In the case of unofficial authentication, the disposer is not excluded from the registration, but he has to register this transaction in the ZATCA's platform for the RETT service and pay the tax within thirty (30) days from the contact date or final agreement of the disposal occurrence.

### **9.2. Provide all necessary information to calculate the tax due**

The disposer is responsible in all cases for providing all the correct data and information that enables the Zakat, Tax and Customs Authority to calculate the RETT in accordance with the provisions of the Real Estate Transaction Regulations, whether when registering the transaction on the Authority's platform or based on the request of the Authority when verifying the validity of the tax calculated on the disposal thereof, for example but not limited to, the real and correct value of the disposal, as well as the parties to the disposal, the actual date, and other data necessary to verify the correct application of the provisions of the RETT Implementing Regulation.



### **9.3. Payment of Tax Due**

The disposer is responsible for paying the RETT to the Zakat, Tax and Customs Authority in addition to any obligations arising from it in accordance with the provisions of Article (7) of the RETT Implementing Regulation. The obligation shall not be affected by the disposer's agreement with the party disposed to bear the RETT. This agreement between them does not exclude the disposer from paying the tax to the Zakat, Tax and Customs Authority, taking into account that both the disposer and the party disposed to are jointly responsible for any tax obligations due under the RETT Implementing Regulation, and the Authority has the right to return to it according to the situation.

### **9.4. Completion of transfer procedures at the competent authority (notary public)**

After completing all the procedures for registering the transaction on the Zakat, Tax and Customs Authority platform for the Real Estate Transaction Tax Service, and obtaining what indicates that, The disposer must transfer the real estate at the competent authority, knowing that this authority will not allow the completion of the transfer until confirming the registration of the transaction on the Authority's platform, and pay the RETT due on that transaction, or its exception from being subject to the RETT if the transaction is one of the cases excluded from being subject to tax in accordance with the provisions of Article (3) of the Real Estate Transactions Tax Regulation.

### **9.5. Obligations of the specified individuals in Article (7) of the Regulation when disposing on behalf of third parties**

The provisions of Article (7) of the Implementing Regulations of the Real Estate Transaction Tax require the guardian, trustee, custodian, attorney, administrator, liquidator, receiver, trustee of bankruptcy, the General Authority for the Guardianship of Minors' Funds and the like, and the General Authority for Awqaf to abide by its provisions when disposing on behalf of others. This includes all obligations of the disposer, including, but not limited to, recording the transaction on the Zakat, Tax and Customs Authority platform of RETT, as well as paying the due tax, providing all the necessary information on the disposal, and other responsibilities included in the Implementing Regulation of the Real Estate Transaction Tax.





## 10. Tax Treatment for Off-plan Sale Products

The sale forms on the off-plan submitted in the Kingdom by real estate developers qualified to provide such products are multiple, and in general, the main form is represented by the presence of more than one party in the transaction of the sale products on the off-plan. The conclusion of an agreement between more than one party to implement the real estate that is constructed and sold in accordance with that law is common. Where there is an agreement between the real estate developers licensed to provide such products with financial bodies to pay for the real estate that is implemented in stages and paid for according to the completion ratio, and a period of time agreed upon by all parties, there is also a separate agreement between the financing agencies and the final beneficiaries of real estate that is constructed according to the same law.

### **10.1. Business-to-consumer (B-TO-C) supplies made after the construction phase of the property until the payment of the property's value and the cost of financing**

In the case of the supply of real estate (transfer of ownership/transfer of possession) from the taxable supplier (developer/financier) to the final customer (the unregistered individual) before the date of October 4, 2020, this supply is subject to the VAT on the entire value of the property, regardless of whether the fee is paid in installments or not. The transfer (after October 3) is not subject to the RETT. In the event that the final customer (the unregistered individual) makes a number of payments to the taxable supplier, and the property is supplied (transfer of ownership/transfer of possession) after 3 October, the supply is not subject to the VAT, and the tax collected is refunded to the customer (the individual-unregistered) and the supplier (developer/financier) settling that tax according to the provisions of Article (40) of the Regulation, and the supply (disposal) is subject to the tax entirely on the date of disposal and on the full value of the property without the benefits of financing.



## **10.2 Supplies from business to business (B-TO-B) carried out during the development phase up to the construction of the property under Istisna' Contracts**

In the event that the contracts are signed and payments are received before October 4, 2020, the financier is entitled to refund the VAT incurred on the payments made to the real estate developer registered with the Authority and according to the completion ratio, all payments received by the real estate developer registered are subject to the VAT on the date of receipt and according to the rules of the value-added tax, and they are deducted from the customer registered with the Authority (the financial entity usually) as a tax deduction related to the input tax, and it does not make any settlement or amendment to the tax due to the final beneficiary (unregistered individual) before or after October 4, 2020.

In the event that contracts are signed, and payments are received on or after October 4, 2020, the entire transaction will be subject to the RETT and not subject to the VAT as no cases of tax entitlement have occurred (the date of supply the date of receipt of the fee or part of it the date of issuance of the invoice).

## **11. Request for Ruling**

In the event that you are not certain how to apply the RETT to a particular activity or transaction that you are undertaking or intending to undertake, after reviewing the relevant statutory provisions and the relevant guidelines, taxable persons may apply to the Authority for a ruling that includes all the facts relating to the specific activity or transaction that the Authority wishes to consider.



## Contact us

For more information on any transaction subject to the real estate transaction tax, please visit  
the website

[Zatca.gov.sa](https://zatca.gov.sa)

Or contact us at the following number:

19993



## 12. Frequently Asked Questions

### 1. Who is subject to the Real Estate Transaction Tax (RETT)?

Tax is imposed on all categories of individuals, institutions, companies and governmental establishments dealing with real estate transaction.

### 2. When will the Real Estate Transaction Tax be applied?

The RETT will be applied on, 4/10/2020.

### 3. Is there a limit to compulsory registration in the RETT?

There is no limit to registration in the RETT, and all procedures are subject, unless there are any exceptions according to the list of exceptions specified in the Regulation.

### 4. Is it necessary to register with the Zakat, Tax and Customs Authority in order to file and pay the tax declaration?

The RETT is a transaction tax, and each transaction is registered through the Authority's dedicated portal, eliminating the need to apply for registration with the Zakat, Tax, and Customs Authority. Accordingly, it is not the same as Zakat and taxes that require registration or filing of periodic declarations.

### 5. Will I receive a specific registration certificate for RETT?

There is no registration certificate in the RETT, and this tax is a transaction tax and is not determined by the standard of subjection to the volume of the activity and sales. Unless the Regulation specifies otherwise, all real estate transactions are subject to the tax.



## **6. In case of early payment, is there a tax if there is a release of real estate mortgage to the customer?**

The RETT will be imposed on any real estate disposition after October 4, 2020. The real estate disposal includes any legal disposal transferring ownership or possession of real estate, including but not limited to, contracts whose purpose is the transfer of the right of usufruct or the right of long-term lease (Ijara). The Regulation includes exceptions, including:

- The temporary disposal of real estate for the purpose of using it as guarantee for financing or credit, unless the real estate subject to the guarantee or credit has been implemented by permanently transferring it to the financier or others.

## **7. The RETT is paid compulsorily before or during transfer or documentation, and the responsibility for payment lies with the seller. Is there any obligation on the financier while the transfer is not completed?**

If the exception of Item (b) of Article (3) of the Real Estate Transaction Tax Regulation applies to the above-mentioned supply, the seller shall be responsible for the RETT.

## **8. How is the RETT applied and when is the tax payable?**

Based on the first paragraph of Article (4) of the RETT Regulation of Real Estate Transaction Tax, the RETT imposes 5% of the total value of the disposal in real estate, whatever its status, form, or use at the time of the disposal, whether this disposal includes the entire real estate or part of it, and whether it is documented or undocumented. Also, paragraph (a) of Article (4) of the RETT Regulation specified certain cases, for example, where the tax was paid on or before the date of authentication of the disposal, including off-plan sales, and paragraph (b) of the same Article specified that the tax would be paid in cases not covered by the formal authentication procedure with the competent administrative authority or the approved notary within 30 calendar days of the date of the final contract or occurrence of the disposal.



**9. With regard to Murabaha contracts, in the event that the bank concludes the sale and purchase contracts before the issuance of the royal order on October 4, 2020, and the VAT was supplied to the Authority. Is the RETT shall be supplied in the case of transferring after October 2020 and thus modifying the declaration regarding the VAT of the Authority?**

In the event that the bank supplies the VAT on the Murabaha contract due to the placement of the real estate at the disposal of the customer through the contract concluded with the customer before the effective date of the RETT, and the transfer was after the effective date, thus this supply is not subject to the RETT based on the exception No. 12 of Article (3) of the RETT Regulation-provided that there is no change in the parties to the transaction or the value of the terms of the contract subject to the VAT.

**10. I am registered in VAT, and I have real estate activity only. Do I have to cancel my registration in VAT given that the real estate transaction has become exempt?**

Yes, the registration of individuals whose activity is limited to carrying out tax-exempt real estate supplies will be cancelled, and those who do not have any other activities beyond the mandatory limit of registration in the tax can continue to register voluntarily in the VAT according to the mandatory limit of registration according to their personal evaluation of their taxable activities.



## **11. Who is responsible for submitting the application in the RETT service?**

The person responsible for submitting the request through the service is the seller or the disposer and will be issued an invoice for payment in accordance with the information specified in the request with the value of the tax that will be due on the documentation of that property, and the seller is obligated to pay the tax to the Authority. The seller is entitled to agree with the buyer or the disposer otherwise, and anyone can pay an invoice for payment of the tax that will be charged on the transfer, and the seller remains responsible for paying the tax and any obligations arising from it to the Authority. Considering that both the disposer and the party disposed to are jointly liable for all tax obligations, the Authority has the right to refer to them jointly and severally, according to the situation. I am an individual registered with the Authority and have activities other than the sale of real estate (commercial rents and managing real estate for others) and I intend to sell one of the commercial properties. How should I enter these transactions in the RETT service?

## **12. I am a person who is registered with the Authority, and I plan to sell a commercial property in addition to my other businesses, which include commercial rentals and property management fees for third parties. How should I submit these transactions to the tax service for real estate disposal?**

There is no correlation between the VAT and the RETT, as each of them represents a separate tax from the other, and the real estate supplies by sale have become exempt from the VAT, while they will be subject to the RETT at a rate of 5%, and the tax due will be calculated through the entry of real estate transaction information through the platform available to the Authority.



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

Yes, and the procedure will not be completed with the competent authority unless you pay the tax due for each transaction.

**14. I have property that I would like to transfer the ownership of to my wife by gift, which is, as far as I know, not subject to the RETT because the wife is among the exceptions of relative cases. Am I obliged to use the RETT service to complete the transfer procedures?**

Yes, the real estate transaction service must be used to complete all transfer procedures. You can also disclose the nature of the property by choosing the exception specified by the service, noting that the service will not calculate the tax, as the gift to the wife is among the exempted cases from the RETT.

**15. We are heirs and we will transfer the property to another party. How will the RETT service be used in this case?**

The real estate must be transferred to the heirs for the purpose of dividing the shares and registering the real estate in their names at the notary public. Then an application is submitted to the RETT service to sell the real estate, and each heir can pay the part related to his percentage through the same invoice. One of the heirs can pay the full amount of the tax and settle the heirs' obligations between them. The buyer can also pay directly for the tax on the property that he will buy from the heirs.





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