



Real Estate Transaction Tax (RETT) in KSA

What you need to know

RETT was introduced with effect from 4 October 2020. Unless specifically exempted it **applies to all land and property sales (and rights thereto)**, assignments, transfers and similar that take place in the Kingdom of Saudi Arabia (KSA). This is a new tax in the Kingdom and will have a far reaching impact for those companies and organizations involved in any real estate, construction or sales activities with immediate effect.

These are the key considerations:

- ✓ The rate applicable is **5% of the value of the land and property (and rights thereto)**
- ✓ It is generally **due when the deal is notarized** at the Ministry of Justice, however an **earlier tax point** may occur with **off-plan sales and other non-notarized transactions**
- ✓ The **sale of shares** in property owning companies may also attract a charge to **RETT**
- ✓ **VAT is no longer applicable** to the sale and disposal of property; this will have an impact on property developers and construction companies in particular. Such transactions will now be treated as being exempt
- ✓ **New scheme** for “land & property development companies” **to recover VAT on expenses** through a special application to the Ministry of Finance
- ✓ Companies may face (negative) **adjustments for VAT recovered** earlier in relation to capital assets used for development and subsequent sales of real estate

- ✓ The **primary responsibility to collect the tax lies with the seller** however in cases where the tax is not remitted by the seller, **the purchaser may become liable**
- ✓ There are **some exceptions** that apply; mostly around **transfers to close family**; transfers for the public good (charitable and similar) and inheritances. Both **taxable and exempt** RETT transactions must be **reported**
- ✓ **No RETT grouping** is provided for in the law, so intercompany transfers of land and property will be liable to RETT
- ✓ There are **stringent penalty provisions** for overt avoidance and planning arrangements

The RETT will mark a new chapter in how indirect taxation is further applied into the Saudi Arabian economy and commercial landscape. Although the vast majority of transactions undertaken, particularly in the private sector should be comparatively easy to identify as being liable to RETT, more complicated arrangements, such as EPC, major infrastructure projects involving multiple partners and joint-ventures, property investment companies, will require careful and detailed review.

Contacts:

At Deloitte we have a RETT team that is already advising clients how to navigate this new world. We are here to help you so please contact your usual Deloitte adviser or contact Mike Camburn, Maarten Schreuder, or Owen Griffith.



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