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## VAT and Real Estate Transaction Tax (RETT) - Key points to consider

Deloitte's Tax and Real Estate team are pleased to provide you with a summary of our understanding of the real estate tax law and regulations issued by the General Authority of Zakat and Tax (GAZT). Based on the wishes of our clients to obtain a paper that summarises the most important applications of real estate transaction tax and value added tax on different types of real estate assets and tenures, we have listed the most important applications as follows:

Case	On or After 4 Oct 2020	
	VAT	Real Estate Transaction Tax
<ul> <li>Sale of commercial real estate</li> <li>Sale of residential real estate</li> <li>Sale of off-plan real estate</li> <li>Sale of land plot (residential, commercial and agricultural)</li> <li>Sale of real estate from a government entity for commercial or investment purposes</li> <li>Gifted real estate to other parties</li> </ul>	Exempt	5%
Rents on commercial real estate	15%	N/A
Rents on residential real estate	Exempt	N/A
Usufruct to use commercial property for a period of more than 50 years	15%	5%
First home for Saudi Arabian Citizens (villa, apartment and residential unit)	Exempt	5%  The state shall bear the due tax at not more than SAR 1 million of the real estate value
Other cases	On or After 4 October 2020	
	VAT	Real Estate Transaction Tax
Input tax for building real estate, such as building materials and other related expenses	15%	N/A
Recovery of input tax related to sale of real estate	Input tax may be deducted subject to conditions*	Non-recoverable
Disposal of shares in property owning companies	N/A	5%

<sup>\*</sup> Input tax shall not be deducted through VAT returns. The recovery shall only be available to the licensed real estate developers who are eligible for a VAT deduction from the GAZT. Rules in this regard yet to be notified.

### **Real Estate Transaction Tax**

Excluded from the scope of the application of RETT

- The transfer of real estate in cases of distribution/division of an estate.
- The gifting of property to family endowments or to charity endowments / 'waqf'.
- The transfer of real estate to a government entity, public legal person, or public benefits entity/projects.
- Disposal of property from a government entity in its capacity as a public authority outside the scope of economic activity.
- Compulsory disposals of real estate (e.g. expropriation of ownership for public benefit).
- Transfer of testator's real estate as a gift to a spouse or relative up to the second degree, or in accordance with a will (not exceeding a quarter of the estate).
- The temporary transfer of property for use as a financial or credit guarantee.

- The transfer of a property under a financial lease or 'ljarah' contract where the date of agreement precedes 4 October 2020.
- Temporary transfer of property between a fund and its trustee, the trustee and the fund, or the trustees of the same fund.
- The transfer of property as a share-in-kind in the capital of real estate fund at the initial stage.
- The transfer of property as a share-in-kind in the capital of companies. The related shares are not to be disposed of for five years.
- Dispose of real estate by the company's partner to the company's name if it is previously recorded in its financial statements before the Regulation effective date.
- The sale of real estate to foreign governments, international organisations and diplomatic missions accredited by the Kingdom.
- A real estate supply that was subject to VAT before being notarised, subject to conditions.





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This paper is a summary of our understanding of the applications of real estate transaction tax and value added on some types of real estate assets and tenures. The content of this paper is not in any way legal, tax or investment advice. Rather, it is indicative, and we advise the user to consult specialists in the field of tax and real estate advisory to take appropriate advice.

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