

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

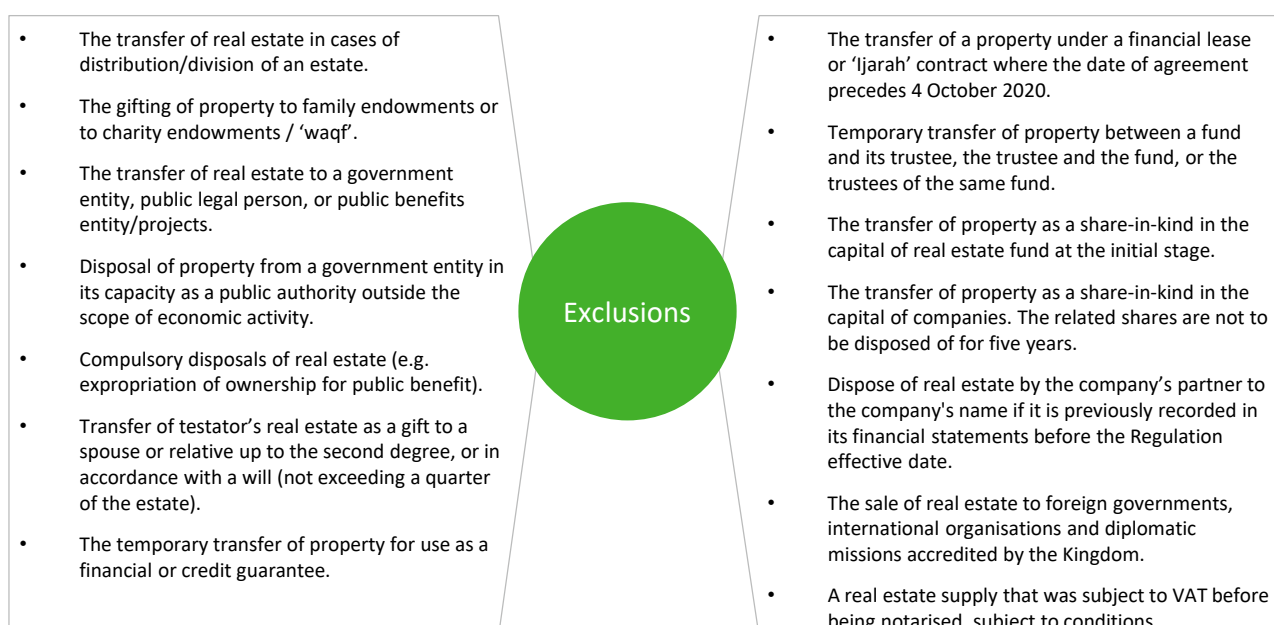
Deloitte's Tax and Real Estate team are pleased to provide you with a summary of our understanding of the real estate tax law and regulations issued by the General Authority of Zakat and Tax (GAZT). Based on the wishes of our clients to obtain a paper that summarises the most important applications of 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 style="list-style-type: none"> • Sale of commercial real estate • Sale of residential real estate • Sale of off-plan real estate • Sale of land plot (residential, commercial and agricultural) • Sale of real estate from a government entity for commercial or investment purposes • Gifted real estate to other parties 	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%

* 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





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