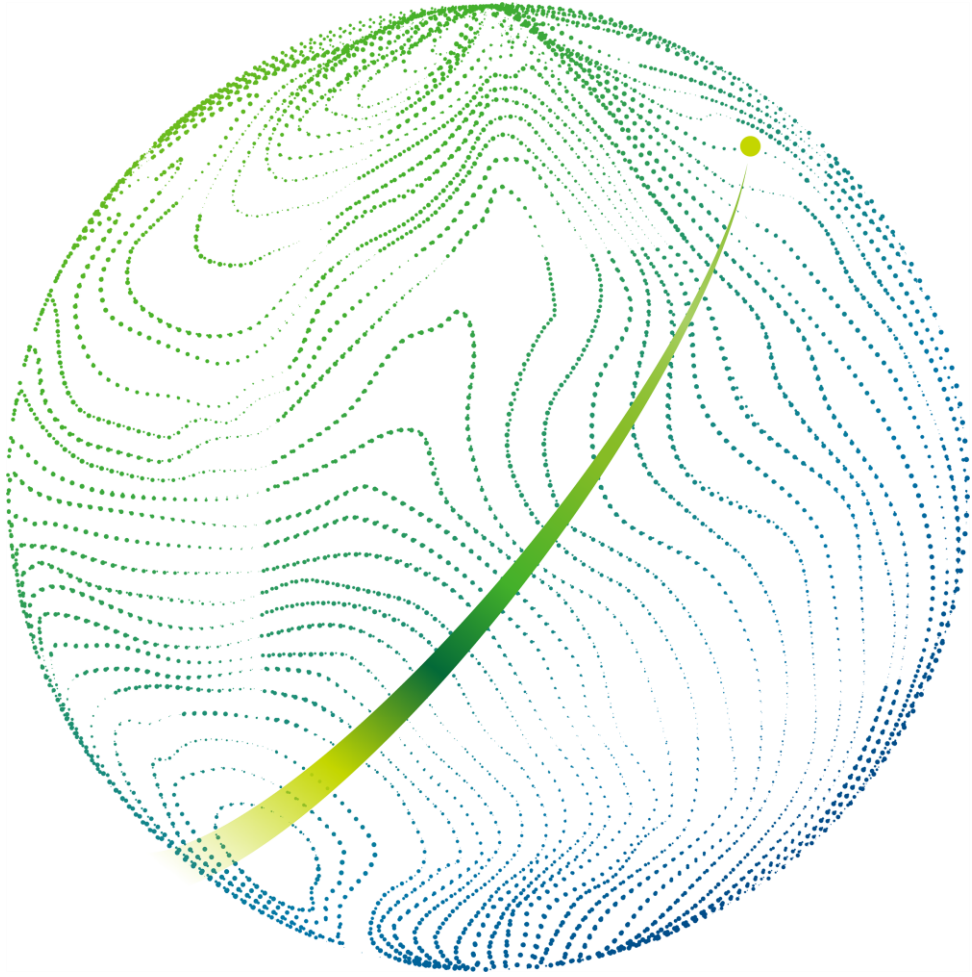




Saudi Arabia approves Vacant Real Estate Tax regulations

What the completed V-RET framework means for owners of unoccupied buildings across the Kingdom

September 2026

Introduction

Saudi Arabia’s White Land and Vacant Real Estate Tax Law was introduced to bring underused land and buildings into productive use, in support of the Kingdom’s housing supply and urban development objectives. Its practical effect has so far been limited. The law set the direction, but the mechanics were incomplete.

That position has now changed. With the Executive Regulations for the Vacant Real Estate Tax approved, the framework is complete and the remaining step is geographic activation. Once a zone is announced, liability follows for any building that meets the vacancy test.

This article sets out how the V-RET regime operates, which owners are most exposed, what it means for financial reporting, and the steps available during the window that remains.

The regulatory framework now complete

The Ministry of Municipalities and Housing (MOMAH) has approved the Executive Regulations for the Vacant Real Estate Tax (V-RET), completing the regulatory architecture introduced by the May 2025 amendments to Saudi Arabia's White Land and Vacant Real Estate Tax Law. Together with the White Land Tax Implementing Regulations published in August 2025, the full legislative framework is now in force. Geographic zone announcements, the trigger for actual liability, are expected imminently. Owners of unoccupied buildings who have been monitoring developments and delaying action should fully utilize this preparation window before it closes.

How V-RET works

A building is vacant if unoccupied for six or more months during the reference year, whether consecutive or non-consecutive. Intermittent occupation does not reset the clock, as vacancy is tested cumulatively. Permitted use is determined by the occupancy certificate or approved zoning plan, not the commercial license alone. The annual fee is calculated as a percentage of fair market rental value, subject to a cap of 5% of the building’s capital value. The applicable rate will be set by ministerial decision per geographic zone. The Council of Ministers can raise the cap to 10% if initial rates prove insufficient.

Key parameters:

The regulations set out the specific tests and thresholds that determine whether a building falls within scope. The parameters below summarize the position as it currently stands, ahead of the rate and zone decisions still to be issued.



Vacancy threshold: 6 months (consecutive or non-consecutive) in the reference year.



Cap: 5% of building capital value (the Council of Ministers can raise to 10%).



Activation: City by city via ministerial decree. Announcements yet to begin.



Fee base: Fair market rental value. MOMAH-approved standards, no self-declared estimates.



Scope: All building use types subject to ministerial zone decision, meaning not limited to residential and commercial.



Exemptions: Narrow, including genuine impediments beyond the owner's control.



Who is affected: priority risk categories

- Residential developers holding completed but unsold or unleased inventory are among the most immediately exposed.
- Finished units that have been built but remain unoccupied in major urban centers, particularly Riyadh, Jeddah, and Dammam, fall squarely within the definition of a vacant building, and the six-month threshold can be reached quickly where sales campaigns have stalled, or market absorption has slowed.
- Commercial property investors face similar exposure. Office, retail, and mixed-use buildings with significant vacancy, whether the result of tenant turnover, prolonged re-letting periods, or weaker occupier demand, are firmly within scope. The non-consecutive nature of the vacancy test means that buildings cycling through short tenancies with gaps between them should not be assumed to be outside the regime.
- Individuals and entities holding properties as long-term capital assets without active leasing or development are precisely the category this legislation is designed to address, for example, where buildings have been held in reserve pending a sale, or simply as a long-term investment.
- Real estate funds and institutional investors holding diversified portfolios that include vacant units or entire unoccupied buildings will need to assess their exposure at asset level. Portfolio-wide vacancy monitoring will be essential, and fund managers should factor V-RET liability into investor reporting, and forward financial planning as a matter of priority.



Financial reporting: IAS 37 and disclosure

With the Executive Regulations approved, V-RET is no longer a theoretical risk. For buildings in cities not yet announced, exposure will likely qualify as a contingent liability requiring disclosure where the amount is material. Once a zone is announced and the vacancy condition is met, a provision should be recognized. V-RET is assessed on fair market rental value rather than capital value, introducing estimation uncertainty that should be reflected in financial statement disclosures and audit workpapers.



What owners should do now

The period between regulatory approval and the first zone announcement is the point at which owners still hold options. Once a zone is activated, the vacancy test applies against the reference year and the scope to influence exposure narrows. Four steps are worth taking in the meantime:



Inventory vacant buildings: building-by-building, unit-by-unit schedule covering city, building type, occupancy status, and cumulative months vacant, applying the six-month test on a non-consecutive basis.



Commission rental valuations: obtain fair market rental assessments for vacant buildings in likely first-wave cities; MOMAH will not accept self-declared estimates.



Assess commercial options: evaluate leasing, partial occupation, change of use, or disposal before zone announcements crystallize liability.



Document exemption grounds: where buildings genuinely cannot be occupied due to circumstances beyond the owner's control, compile evidence now.



Conclusion

The V-RET Executive Regulations complete a legislative framework that now imposes an annual cost on both undeveloped land and unoccupied buildings across Saudi urban areas. For owners, the gap between regulatory approval and the first zone announcement is the most valuable preparation window available.

Contacts

Find out more about how V-RET applies to your portfolio and the mitigation pathways available. Contact our team to start the conversation.



Michael Camburn
Senior Executive Director
Indirect Tax
mcamburn@deloitte.com



Owen Griffiths
Senior Executive Director
Indirect Tax
ogriffiths@deloitte.com



Gavin Needham
Senior Director
Indirect Tax
gneedham@deloitte.com



Kursat Osman
Director
Indirect Tax
kurosman@deloitte.com



Waleed Afzal
Director
Indirect Tax
raafzal@deloitte.com



Saad Iqbal
Senior Manager
Indirect Tax
saaiqbal@deloitte.com



Noor Almansoor
Manager
Indirect Tax
nalmansoor@deloitte.com



Lamah Alsalat
Senior Associate
Indirect Tax
lalsalat@deloitte.com



Deloitte & Touche (M.E.) (DME) is a shareholder in Deloitte EMEA BV (EMEA), which is a member firm of Deloitte Touche Tohmatsu Limited (DTTL). Deloitte EMEA and DTTL do not provide services to clients. Services may be provided by the EMEA shareholders or their affiliates, which are separate and independent legal entities. Deloitte EMEA BV, a limited liability company incorporated under the laws of Belgium (Deloitte EMEA), is a Member Firm of Deloitte Touche Tohmatsu Limited (DTTL).

Deloitte Middle East" or "DME" refers to Deloitte & Touche (M.E.) which is the affiliate for the territories of Bahrain, Cyprus, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, Palestinian Ruled Territories, Qatar, Saudi Arabia, and United Arab Emirates.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte provides leading professional services to nearly 90% of the Fortune Global 500® and thousands of private companies. Our people deliver measurable and lasting results that help reinforce public trust in capital markets and enable clients to transform and thrive. Building on its 180+ year history, Deloitte spans more than 150 countries and territories. Learn how Deloitte's over 470,000 people worldwide work together every day to make an impact that matters at www.deloitte.com

DME is a leading professional services organization established in the Middle East region with uninterrupted presence since 1926. DME's presence in the Middle East region is established through its affiliated independent legal entities, which are licensed to operate and to provide services under the applicable laws and regulations of the relevant country. DME's affiliates and related entities cannot oblige each other and/or DME, and when providing services, each affiliate and related entity engages directly and independently with its own clients and shall only be liable for its own acts or omissions and not those of any other affiliate.

DME provides services through 26 offices across 13 countries with more than 7,000 partners, directors and staff.