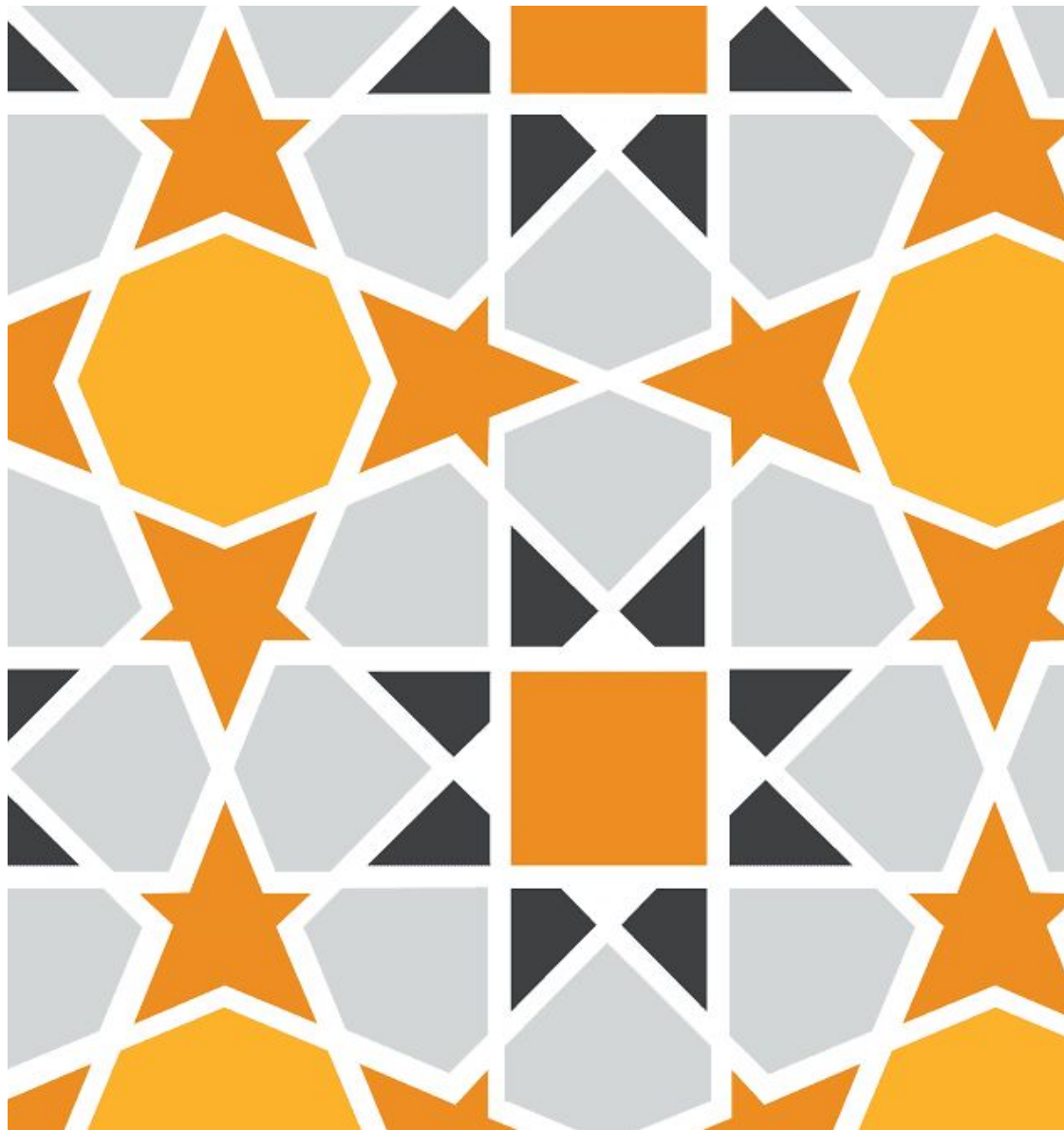


Saudi Arabia: Approved Amendments to the RETT Implementing Regulations

May 2024





In brief

The Minister of Finance and Chairman of the Board of Directors of the Zakat, Tax and Customs Authority ('ZATCA'), through decision number (1445-88-1) dated 02/09/1445 (corresponding to 12 March 2024) has approved amendments/additions to certain provisions of the RETT Implementing Regulations.

The approved amendments/additions have been published in the official Gazette on 3 May 2024 and can be accessed [here](#). The announcement is accessible through this [link](#).

The effective date of the aforesaid amendments/additions is from the date of publication in the official Gazette (i.e. 3 May 2024), as the announcement states.

In detail

Highlights of the approved amendments have been reproduced hereunder for ease of reference. ZATCA has only issued an Arabic version of these amendments as of now.

Article reference	What has been changed?
Amendment to sub-paragraph (14) of Article 3 (A)	<p>The exemption from RETT application on disposal of real estate to a company has now been extended to 'any person' provided that:</p> <ul style="list-style-type: none"> • The real estate was recorded in the company's assets before the effective date of these Regulations; and • that person is a shareholder in that company on the date the real estate is recorded in the company's assets. <p>This expansion marks a departure from the current restriction, which limits eligibility to shareholders and co-owners.</p> <p>The certification required vis-a-vis inclusion of real estate in the company's assets before the effective date of RETT Regulations is now proposed to be obtained from a licensed Public Accountant previously it was required from a licensed Chartered Accountant.</p>
Amendment to sub-paragraph (15) of Article 3 (A)	<p>The exemption from RETT application on disposal of the real estate as an 'in-kind contribution' in the capital of a real estate investment fund (upon the established in accordance with the laws and regulations of the Capital Markets Authority) has now been extended to include all types of funds including those funds which are established for renting purposes.</p> <p>The above exception will be conditional on the following, whichever comes earlier:</p> <ol style="list-style-type: none"> non disposal of the fund's units or shares related to real estate disposed of until the date of termination or liquidation of the fund; or for a period of five years from the date of registration or ownership of the units or shares.



The approved amendments clarified/extended the application of exceptions from RETT to certain real estate disposal transactions and are effective from 3 May 2024 (the date of publication in the official Gazette, as the announcement states).



Article reference	What has been changed?
Addition of paragraph (C) to Article 3	<p>ZATCA has also clarified the status of RETT exemption in the event of ownership percentage changes due to listing or re-listing of shares as follows:</p> <ul style="list-style-type: none"> Alterations in the ownership percentage resulting from the listing or re-listing of shares of the Company or a Fund, in compliance with the rules and regulations set forth by the Capital Market Authority, shall not be construed as a breach of the condition prohibiting the disposal of shares or units associated with the exempted real estate disposal.
Amendment to Article 4	<p>The date of disposal on Build, Own, Operate and Transfer projects has been clarified to be:</p> <ul style="list-style-type: none"> the date of actual transfer of ownership; or On the date of transfer of possession to whom the real estate is disposed
Amendment to paragraph (B) of Article 4	<p>The tax due point in cases not covered by the official authentication procedure with the competent administrative authority or the approved notary has been clarified to be:</p> <ul style="list-style-type: none"> within 30 calendar days from the date of the contract or final agreement, <u>transfer of ownership or transfer of actual possession in a build, own, operate and transfer projects.</u> <p>A penalty for late payment of tax will be imposed in case where the payment exceeded the above period.</p>

ZATCA has also issued a guide clarifying the RETT treatment on certain transactions along with examples which can be accessed through this [link](#)

The takeaway

These amendments are posed to stimulate the real estate sector, alleviate tax burdens on key transactions and investments. With extended exemptions, there's potential for more flexible ownership arrangements and increased public offerings.

Entities engaged in real estate development, investment and fund management services stand to gain from enhanced tax clarity and favorable conditions. It's advised that taxable persons promptly review the amendments and assess their implications on business transactions, processes and systems.

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Let's talk

For a deeper discussion of how this issue might affect your business, please contact:

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Thank you

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