

Saudi Arabia:

New Draft RETT Implementing Regulations Published for Public Consultation

March 2025



In brief

The Zakat, Tax and Customs Authority (ZATCA) has published the draft Implementing Regulations for the Real Estate Transaction Tax (RETT). This follows the earlier issuance of the new RETT Law, which will take effect on 9 April 2025.

The [draft Implementing Regulations](#) were published on the Public Consultation Platform of the National Competitiveness Center on 15 February 2025, and stakeholders are invited to provide feedback by 15 March 2025. Interested stakeholders are encouraged to participate in the public consultation process and share their feedback through [istitlaa portal](#) within the prescribed timelines.

In detail

The KSA government has introduced significant regulatory changes in the realm of real estate transactions. Under Royal Decree No. M/84, dated 22 September 2024, and Council of Ministers Decision No. 239, dated 17 September 2024, a new RETT Law has been enacted, which is set to take effect on 9 April 2025. The draft Implementing Regulations issued by ZATCA, under the new RETT Law, will replace the existing RETT Implementing Regulations.

The draft RETT Implementing Regulations introduce a comprehensive framework for managing real estate transactions and it also provides guidelines across various aspects, as outlined below:

- Article 1 defines key terms used in the regulations and introduced new terminologies such as *inter alia* definition of the following:
 - Linked Transactions - which pertain to multiple transfers of shares in a real estate company by one or more persons, where the transactions are part of a single agreement or a chain of disposal, or the persons involved act in concert.
 - Acting in Concert - which pertain to cooperation under a binding or non-binding agreement, or a formal or informal understanding, with the aim of disposing of shares in a real estate company. Related persons are considered to be acting in concert unless proven otherwise.
- Article 2 imposed a 5% tax on real estate disposal transactions and provided several scenarios on how the tax should be calculated, the effective date of its application and the base value on which it applies (e.g. FMV). Those scenarios include transfers of shares, long-term usufruct rights, and BOOT real estate projects. This article establishes the framework for applying RETT on various types of real estate transactions and outlines situations when a corrective application needs to be submitted.
- Article 3 sets forth the RETT exemptions and the applicable conditions governing their implementation. Beyond the existing exemption framework, addition exemptions were added such as RETT on mergers and acquisition transactions, real estate transfers related to investment fund shares, transfers by licensed real estate developers (off-plan sales) and subscription to publicly offered securities of a real estate company etc.
- Article 4 clarifies the RETT due date in various cases where the real estate disposal has not be authenticated or documented such as granting usufruct rights, transfer of shares in a real estate company, off-plan real estate sales, and cases involving exemptions that may later become taxable due to non-fulfillment of conditions.
- Article 5 outlines the cases where the RETT can be paid after the date of the real estate disposal. These cases include, i) the transfer of shares in real estate companies where RETT must be paid within 30 days from the time the transferred shares reach the taxable percentage. ii) off-plan sales where RETT is due on or before the date the sale is documented by the notary public or authorized authenticator. iii) Exempt transactions that become taxable due to failure in meeting the exemption conditions where RETT must be paid within 30 days of breaching the exemption condition. Additionally, if the real estate transaction is not documented according to applicable regulations, tax must be paid within 30 days from the date of the transaction. Moreover, ZATCA can demand tax payment within 30 days of the real estate disposal if it determines that the main objective of the transferor was to delay the tax payment.
- Article 6 defines sham or concealed transactions mainly documented in a form that does not reflect the true nature of the transaction or the actual rights and obligations associated with it in an aim to apply the tax on the actual real estate disposal in such cases.

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The draft RETT Implementing Regulations, once finalised, are expected to impact various aspects of real estate transactions, including compliance procedures and exemptions.

This presents a critical opportunity to ensure the final regulation addresses the needs and concerns of all relevant stakeholders.

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In detail (Cont'd)



- Article 7 provides that the transferor is responsible for paying the tax to the ZATCA. The transferee is jointly liable if it is proven that the transferee caused the failure to pay the due tax.
- Article 8 gives the right to ZATCA to reassess the RETT in certain conditions (e.g. related parties disposal, non-cash transactions etc.), allows the transferor or transferee to substantiate the value through an accredited valuator, and sets statute of limitation of 3 years for ZATCA to claim the RETT except when time related exemption conditions are not met. It also outlines when the tax and penalties amount become final and that it would be collected by ZATCA with reference to Royal Decree M/1 dated 15/1/1425.
- Article 9 explains the process for requesting a refund of excess or incorrect tax payments, including for incomplete or canceled transactions. Requests must be made within 12 months, and the ZATCA will decide within 30 days.
- Article 11 covers the rules, procedures, forms, and documents for implementing the law, necessary steps for registering, correcting, inspecting, and maintaining records for real estate transactions.
- Article 13 provides the procedures for objection and appeal, referring to the rules set by the Zakat, Tax, and Customs Committees. If a person files an appeal and the ZATCA suspects the taxpayer may not pay the disputed tax, the ZATCA can request a cash or bank guarantee up to the amount of the unpaid tax and penalties.
- Article 14 provides guidelines for the transitional period during the implementation of the RETT regulation, including specific timelines and temporary measures to ease the transition. More details provided as follow:
 - In cases where RETT is due before the law's implementation date:
 - i. ZATCA has up to 3 years from the law's implementation date to verify the transaction's value and re-calculate the tax if transaction was disclosed to the ZATCA at a value lower than the FMV.
 - ii. ZATCA can verify and recalculate the tax within 3 years from when it learns about RETT transaction or the law's implementation date, whichever occurs later, if the transaction was not disclosed to ZATCA.
 - iii. The provisions of this article do not affect the ZATCA's right to request payment of the tax in cases of violations related to the exemption conditions outlined in the applicable regulations to exempt RETT transactions.
 - In cases where RETT due is not paid before the law's implementation, the following applies regarding penalties:
 - i. A penalty of 2% of the unpaid tax is applied for each month or part of a month after the law's implementation, in addition to penalties for non-payment according to the executive regulations. The total penalty cannot exceed 50% of the unpaid tax.
 - ii. If the ZATCA adjusts the tax due and notifies the taxpayer before the law's implementation, an additional 1% penalty is applied after 30 days from the law's implementation or 30 days from the notification, whichever is later.
 - A refund request for recoverable tax must be submitted within 12 months from the law's implementation or within 60 days from a final judicial decision or settlement with the ZATCA regarding the RETT transaction.
- Article 15 provides that these regulations will take effect from the date the RETT Law is officially implemented.

Taxpayers may participate in the public consultation to identify gaps in the draft regulations or clarify any ambiguities. This consultation period offers a valuable opportunity for businesses to provide feedback, ensuring their concerns are addressed and their interests are represented in the final regulations.

Additionally, taxpayers should begin evaluating how the RETT law and regulations may impact both legacy and prospective transactions, as well as their business operations, processes, procedures, and controls. They should also consider the necessary measures to ensure compliance and mitigate potential risks and penalties.

The takeaways

- Interested stakeholders are encouraged to participate in the **public consultation** process and provide feedback on the proposed amendments by **15 March 2025**.
- We would advise you to conduct a **preliminary assessment** of the proposed implementation regulations to assess the potential impact on your current and future business. Should you require our assistance in this respect, we are happy to assist.

The enactment of the new RETT Law will mark a significant development in Saudi Arabia's regulatory landscape. As the draft Implementing Regulations are expected to become effective from the effective date of RETT law as well, stakeholders must prepare for the changes and understand the implications on their real estate transactions.

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Stay tuned for more updates and detailed analysis as the implementation date approaches.

Let's talk

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



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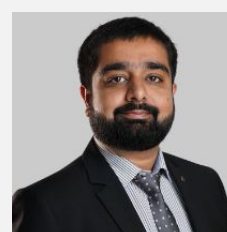


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