

Significant Real Estate Tax Changes in KSA

Are you prepared?

Taxpayers should immediately revisit their real estate transactions to ensure compliance with the tax requirements

Introduction

A Royal Order was issued effective from 4 October 2020, introducing a real estate transaction tax ('RETT') levying a 5% tax on all real estate disposal transactions (with certain exceptions).

In addition, there is a change in the Value Added Tax ('VAT') legislation in the Kingdom of Saudi Arabia ('KSA') to exempt the real estate supplies from VAT. These changes are expected to have a major impact on the taxation of real estate disposal transactions in KSA.

The changes place significant pressure on businesses to continuously manage and review their VAT compliance obligations, in the absence of which, substantial penalties could be levied by the local tax authority.

Taxpayers dealing with real estate should consider the potential implications of the new RETT and related VAT exemption rules.



Major changes introduced

- RETT applicable at 5% of the transaction value
- Exemption of VAT on supply of Real Estate after Oct 4, 2020
- Input VAT on supplies before and after Oct 4, 2020
- Input VAT is refundable to Licensed Real Estate Developers
- Exceptions to the application of RETT including the new exceptions effective from 22 January 2021 onwards



Who is impacted by the changes?

Real estate developers, financial services institutions, funds and other taxable persons engaged in real estate transactions will be affected by this change and should consider and assess the impact on their operations and VAT compliance.

How PwC can support your business?

Advice on RETT Implications

- RETT applicability and exclusions
- Tax point for RETT
- Mechanism to discharge RETT
- RETT reporting requirements

Advice on the VAT Implications

- Applicability of VAT vs RETT on a transaction
- Assessment of VAT deregistration
- Impact on input VAT recoverability on supplies before and after October 4, 2020
- Review the input VAT apportionment calculation
- Review the calculation of capital asset adjustment
- Advice on eligibility to register as a Licensed Real Estate Developer



KSA Real Estate Tax Changes

Optimise the structure of your transaction for VAT/ RETT efficiency

- Review of possible structures from a VAT/ RETT perspective
- Suggest alternate structuring opportunities to optimise the tax impact (i.e. minimise the exposure of VAT /RETT)
- Maximise the ability for VAT Refund

PwC's Compliance Support

RETT Compliance

- RETT reporting to GAZT
- Support the Company in generating SADAD invoices for RETT

VAT Compliance

- Assistance in preparation of the input VAT recoverability on supplies incurred before and after October 4, 2020.
- Support in VAT deregistration process
- Registration as a licensed Real Estate developer
- Review and filing of VAT refund application for Licensed Real Estate Developers
- Support in the processing the refund for Licensed Real Estate developers

Taxpayers should immediately revisit their real estate transactions to ensure they are in compliance with the requirements set out by this new Royal Order. In addition, all related regulations, guidances, and other circulars issued by GAZT should be carefully reviewed and considered in order to correctly apply the requirements of the new tax and understand the implications on VAT compliance.

For more information or to arrange a meeting, contact your PwC Indirect Tax Real Estate specialists or any of our Partners.

Preeti Ambwani

Indirect Tax Director
Regional Real Estate Lead
preeti.ambwani@pwc.com

Mohamad Najjar

Indirect Tax Director
+966 56 367 9392
mohamad.x.najjar@pwc.com

Mujeeb UI Haq

Indirect Tax Senior Manager
+966 56 367 9953
mujeeb.u.haq@pwc.com



Key takeaway

Taxpayers should start preparing for this initiative immediately. In particular, we strongly recommend that taxpayers assess the impacts of these material changes in KSA's tax landscape.

Let's Talk

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

Jeddah

Mohammed Yaghmour

Zakat and Tax Leader - KSA;
Middle East Clients & Markets
+966 56 704 9675
mohammed.yaghmour@pwc.com

Dr. Yaseen AbuAlkheer

Partner, Zakat and Tax
+966 54 425 0540
yaseen.abualkheer@pwc.com

Fehmi Mounla

Partner, Zakat and Tax
+966 56 271 3073
fehmi.mounla@pwc.com

Mohammad Amawi

Partner, Zakat and Tax
+966 55 800 9697
mohammad.h.amawi@pwc.com

Suleman Mulla

Partner, International Tax
+966 54 122 8051
suleman.mulla@pwc.com

Maher ElAawar

Partner, Indirect Tax and Fiscal Policy
+971 56 216 1109
maher.elaawar@pwc.com

Riyadh

Mohammed Al-Obaidi

Partner, Zakat and Tax
+966 50 525 6796
mohammed.alobaidi@pwc.com

Fayez Al Debs

Partner, Zakat and Tax
+966 54 400 1037
fayez.aldebs@pwc.com

Chadi Abou Chakra

Partner, Indirect Tax
+966 56 068 0291
Chadi.Abou-Chakra@pwc.com

Mohammad Harby

Partner, Zakat and Tax
+966 56 907 2618
mohamed.harby@pwc.com

Ebrahim Karolia

Partner, Tax
+966 56 890 3663
karolia.ebrahim@pwc.com

Wael Osman

Partner, Zakat and Tax
+966 56 699 4653
wael.osman@pwc.com

Khobar

Mugahid Hussein

Partner, Zakat and Tax
+966 54 425 6573
mugahid.hussein@pwc.com