



# Tax Alert: Real Estate Transaction Tax

October 2020

On 1 October 2020, Royal Decree A84 was issued announcing the creation of a new Real Estate Transaction Tax with a rate of 5% of the real estate supply. The Royal Decree exempts all real estate transactions that take place after the issue of this new decree from Value Added Tax (VAT) including:

- transfer of ownership;
- the sale of commercial, residential, or agricultural real estate; and
- the sale of developed and undeveloped land.

Licensed real estate developers will be entitled to recover VAT incurred on purchases of goods and services.

The General Authority for Zakat and Tax will be responsible for managing and collecting the new tax and the Minister of Finance will decide which VAT regulations will apply to the new tax until specific policies and regulations are drafted.

This decision marks an effort to boost the real estate sector, which forms an integral part of the Kingdom's Vision 2030. It also aims to support the Kingdom's citizens and includes a commitment that the government will bear up to SAR1 million in tax for the purchase of the first home by Saudi Nationals.

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