



VALUE-ADDED TAX AND REAL ESTATE

*Kingdom of Bahrain, Kingdom of Saudi Arabia, Sultanate
of Oman and United Arab Emirates*

Value-Added Tax (VAT) is now live in four out of six GCC member states. Each member state has introduced a unique set of laws and associated regulations within the GCC VAT framework. In the attached publication, we have compared the applicability of VAT on certain transactions in the real estate sector for each of the four jurisdictions.

An important aspect of this publication is that the VAT laws in all of the four-member states do not differentiate between legal and natural persons. The absence of special treatment for individuals owning and using real estate for commercial use exposes even an individual to a VAT registration in a member state where the real estate is located.

We hope you find this publication informative. If you have any questions, please reach out to our VAT experts in the respective member state.

VAT on Supplies of Real Estate by a Resident

Type of Real Estate	Type of supply	 Bahrain	 KSA	 Oman - Mainland	 UAE - Mainland
 Commercial Property	First sale	Exempt	Exempt	5 Percent	5 Percent
	Re-sale	Exempt	Exempt	5 Percent	5 Percent
	Long term lease	Exempt	15 Percent	5 Percent	5 Percent
	Short term lease	Exempt	15 Percent	5 Percent	5 Percent
 Residential Property	First sale	Exempt	Exempt	5 Percent	Zero rate*
	Re-sale	Exempt	Exempt	Exempt	Exempt
	Long term lease	Exempt	Exempt	Exempt	Exempt**
	Short term lease	Exempt	Exempt	5 Percent	Exempt**



UAE:

The first supply sale of a residential building will be treated as 'Exempt' if the sale takes place after three years of the building completion.

** A residential property, if leased before three (3) years of building completion for VAT purpose, would be taxed at 'zero rate'

Designated Zone (DZ): Supply of real estate, which includes sale and lease of real estate, is outside the VAT scope.



***Oman:**

Residential property - Short term lease has not been defined in the Oman VAT law; however, if the lease period is less than three (3) months, it may construe as a short-term lease.

Special Economic Zone (SEZ): The Supplies of real estate made within the SEZ could be subject to VAT at the zero-rate subject to fulfilment of other conditions associated with zero-rating of SEZs.



KSA:

On October 4 2020, Real Estate Transactions Tax (RETT) was implemented, which could need separate evaluation.

VAT on Supplies of Real Estate by non-Residents

Type of Real Estate	Type of supply	Buyer/ Lessee VAT Reg-status (Registered/unregistered)	Bahrain		KSA		Oman		UAE	
			VAT Reg	VAT Percent	VAT Reg	VAT Percent	VAT Reg	VAT Percent	VAT Reg	VAT Percent
Commercial Property	First sale	Registered	No	Exempt	No	Exempt	No ^{##}	5Percent - RCM	Yes	5 Percent
	First sale	Un-registered	No	Exempt	No	Exempt	Yes	5 Percent	Yes	5 Percent
	Re-sale	Registered	No	Exempt	No	Exempt	No ^{##}	5 Percent - RCM	Yes	5 Percent
	Re-sale	Un-registered	No	Exempt	No	Exempt	Yes	5 Percent	Yes	5 Percent
	Long term lease	Registered	No	Exempt	No	15 Percent - RCM	No ^{##}	5 Percent - RCM	Yes	5 Percent
	Long term lease	Un-registered	No	Exempt	Yes	15 Percent	Yes	5 Percent	Yes	5 Percent
	Short term lease	Registered	No	Exempt	No	15 Percent - RCM	No ^{##}	5 Percent - RCM	Yes	5 Percent
	Short term lease	Un-registered	No	Exempt	Yes	15 Percent	Yes	5 Percent	Yes	5 Percent
Residential Property	First sale	Registered	No	Exempt	No	Exempt	No ^{##}	5 Percent - RCM	Yes	*Zero Percent
	First sale	Un-registered	No	Exempt	No	Exempt	Yes	5 Percent	Yes	*Zero Percent
	Re-sale	Registered	No	Exempt	No	Exempt	No	Exempt	No	Exempt
	Re-sale	Un-registered	No	Exempt	No	Exempt	No	Exempt	No	Exempt
	Long term lease	Registered	No	Exempt	No	Exempt	No	Exempt	No	**Exempt
	Long term lease	Un-registered	No	Exempt	No	Exempt	No	Exempt	No	**Exempt
	Short term lease	Registered	No	Exempt	No	Exempt	No ^{##}	*5 Percent - RCM	No	**Exempt
	Short term lease	Un-registered	No	Exempt	No	Exempt	Yes	*5 Percent	No	**Exempt



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##Whether the real estate is considered a Permanent Establishment or Fixed Establishment, and whether it would result in the owner being classified as a resident in Oman needs to be evaluated on a case-to-case basis.

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