

Capital gains tax (CGT) in Saudi Arabia

Capital gain on transfer of shares or securities traded on <i>Tadawul</i> ¹	Capital gain on transfer of shares or assets between companies within the same group ¹	Capital gain realised by a resident shareholder on disposal of shares in a KSA-resident entity
Exempt	No gain or loss	Zakat @ 2.5% or taxed @ 20% as a capital gain or ordinary income
Capital gain realised by a non-resident on disposal of shares in a KSA-resident entity ²	Capital gain on disposal of property or assets used in a business activity ³	
CGT @ 20%	Ordinary income - zakat @ 2.5% or corporate tax @ 20% - depending on the selling shareholder's status	

¹No capital gain or loss arises from internal re-organisations, such as transfers of shares or assets within group companies, provided the group companies are wholly owned (directly or indirectly) and the assets remain within the group for two years from the date of the transfer. Some double tax treaties (for example, the Saudi-Netherlands DTT) allow for a reduction in the capital gains tax rate provided certain conditions are met.

²CGT is calculated on the difference between the consideration and the cost base of the shares. The consideration is deemed to be the higher of the:

- Contract value
- Market value
- Book value (according to company records)

The seller must report the sale to the General Authority of *Zakat* and Tax (GAZT) and settle due CGT within 60 days. The buyer can be held liable for any unsettled CGT. GAZT normal practice is that CGT computation only crystallises upon final, formal amendments to a company's articles of association - meaning notarisation by the notary public. However, GAZT can also use the date of the sale purchase agreement (SPA) as the trigger if this will result in a higher CGT as the tax regulations refer to the date of sale.

³Gains from an asset disposal may be deferred if the proceeds are reinvested into a new qualifying capital asset within 12 months of the date of sale. The cost base of the replacement is treated as the replaced asset's cost base.

For more details on any tax issue in Saudi Arabia, contact:



Ali Almommedali
+966 54 541 8183



Mubeen Khadir
+966 55 774 2366



Raman Ohri
+966 50 286 4266



Dinesh Ravi
+966 50 063 8571



Mohammed Al Dalili
+966 54 366 3480

keypoint

Disclaimer: This is not a substitute for professional advice. Seek appropriate professional advice from a tax advisor before making any decision relating to your particular circumstances.