Saudi Arabia

International Estate Planning Guide

IBA Private Client Tax Committee

Contact:

Sunita Singh-Dalal
Hourani and Partners, Dubai
ssingh-dalal@houranipartners.com

Updated: 6/2026

Table of Contents

I. Wills and planning documents

The Kingdom of Saudi Arabia is a Sharia jurisdiction. It adheres to the Islamic laws of succession and inheritance rather than common or civil law. Despite there being certain similarities with other civil law jurisdictions, (in relation to forced heirship provisions), estate planning in Saudi Arabia is uniquely positioned because of these differences, in comparison to other civil and common law succession frameworks.

Wills can be established in the country through numerous mechanisms including, but not limited to, through a licensed law firm or other evidentiary methods (eg, witnesses or handwriting).

If a testator is a Saudi national, or holds an official residence permit for foreign nationals, known as an Iqama (irrespective of their religion), they may certify their will online through the government's Najiz portal. Islamic laws of succession and inheritance apply irrespective of the testator's religion.

Testamentary instruments are limited to the *wasiyya* or bequest. A bequest is a single disposition of an asset, which can be a standalone disposition. It can also be combined with other bequests in a single document, akin to a will.

A. Will formalities

Under the Saudi 2022 Personal Status Law, a testator may transfer his or her property through bequest(s). These bequests can attribute a share (up to one-third) in most circumstances of the totality of his or her assets to a recipient.

A testator may revoke a bequest through a subsequent clause, written or oral, or a subsequent act that indicates his or her desire to do so, at any time. However, a subsequent bequest even of the same asset, does not revoke an earlier bequest unless expressly stated (Article 177(1)).

There are five core requirements relating to a will, as follows:

REQUIREMENTS OF THE BEQUEST

The bequest must be made orally or in writing. Only when a testator is incapable of both may they use a gesture that conveys their intent to make a bequest (Article 174).

REQUIREMENTS OF THE TESTATOR

The testator must be of age and of sound mind (Article 176).

REQUIREMENTS OF THE BEQUEATHED ASSET

The bequeathed asset must be owned by the testator (if a specific asset), must exist (or possibly exist) and be legal. It may be an asset, a usufruct or a valuable right. It may also be an undivided or divided interest (Article 180).

REQUIREMENTS OF THE BENEFICIARY

The beneficiary may be any person, Muslim or not, that is legally allowed to own the bequeathed asset (Article 178). However, the beneficiary does not have to be an heir that will inherit through the forced heir provisions, as applied to this testator at their time of death, unless the bequest is ratified by some or all of such heirs after the testator dies.

If all such heirs ratify the bequest after the testator dies, the entirety of the bequest is allowed to devolve to the beneficiary. If only some such heirs ratify the bequest, the bequest is only partially allowed to pass to the beneficiary and is taken pro rata from the share of the ratifying heir(s) (Article 179).

The beneficiary must be alive. However, unborn children known to have been conceived at the time the bequest is made can be included. The bequest may also be made to a class of beneficiaries, whether limited or unlimited.

The beneficiary may also be a legal person that the laws of Saudi Arabia deem able to accept a bequest, ie, a *waqf* or mosque, or more generally for good, or for God (Article 180).

REQUIREMENT OF ACCEPTANCE

If the beneficiary is a natural person, a legal person, a *waqf*, a mosque or a limited class of natural persons, the beneficiary (or their guardian or a duly authorised person who has the authority to accept the bequest in the case of non-natural persons) must formally accept it for the bequest to be completed. Other beneficiaries need not accept the bequest for it to be completed (Article 181).

If a beneficiary does not accept before his or her own death, the bequest is automatically deemed accepted and devolves to his/her heirs under the forced heirship laws (Article 184).

B. Limitations applicable to the one-third share

Bequests, in aggregate, may not be greater than one-third of the testator's estate. If greater, unless one or more bequests are ratified by the heirs under the forced heirship clause, then each bequest must be reduced so that their aggregate totals one-third. If the bequests are not of specific assets (but instead, eg, of percentages), then each bequest is reduced pro rata (Articles 177(2), 190).

However, this rule only applies when there are no rightful heirs under the forced heirship clause, or if the only such heir is the testator's spouse. In such a case, the aggregate of the bequests may be greater (but, in the latter case, must be limited so as to not infringe upon the share of the forced heir) (Article 191).

Furthermore, the one-third share limitation provisions only apply to assets located within the Kingdom of Saudi Arabia. For assets located outside the jurisdiction of Saudi Arabia, the inheritance laws of the country where such assets are situated will apply.

C. Events invalidating a bequest

A bequest is invalidated if it is validly revoked, if the beneficiary dies before or at the same time as the testator, if the beneficiary rejects it after the testator's death, if the beneficiary kills the testator or if the bequeathed asset is destroyed or revendicated (Article 196).

II. Estate administration

All matters regarding estates and succession fall under the jurisdiction of the Ministry of Justice, usually under the Personal Status Courts. Saudi law does not require a probate process. Rather, the only administrative requirement is that the Personal Status Courts issue a declaratory deed confirming the rightful heirs of the decedent. Once obtained, the heirs (or their appropriate guardian(s)) may arrange for the transfer and division of the assets themselves, provided that they all agree upon the proposed division of the estate.

If one of the heirs is a minor and lacks a guardian, or if he or she has a guardian but the assets to be distributed are comprised of immovable property, such as land, court approval is needed. In regard to the former, to appoint a guardian and, in regard to the latter, to approve the proposed transaction.

If a dispute arises between the heirs or if the heirs are more generally unable to agree on any part of the estate, an application for adjudication must be made in court. However, there is also an alternative resolution forum, *Infath*; a government programme that assists families with the provision of specialists (such as professional agents, lawyers, evaluators, etc), who can collectively ensure a fair liquidation and division of the estate.

A. Payment of funeral costs, debts and bequests

After a decedent passes away, if reasonable funeral and burial costs have not been covered by another family member, they must be paid out of the estate. All of the outstanding debts of the decedent must be fulfilled by the estate prior to any distributions being made. Following such distributions, the remaining one third of the estate can be used to fulfil the other bequests made by the decedent (Article 198).

B. Intestate succession and forced heirship

Saudi Arabia has forced heirship provisions in place. As stated above, testamentary freedom only applies to the one-third of the estate remaining after funeral costs have been paid and the payment of any debts. The entire remaining two-thirds of the estate, together with any portion of the one-third that is not given by bequest, falls within the forced heirship provisions set out in the Personal Status Law. Therefore, if a decedent dies intestate, his or her entire estate will be distributed, according to the rules stated below, in accordance with such forced heirship provisions.

REQUIREMENTS TO BE AN HEIR

To qualify as a rightful heir, a person (1) must be one of the heirs listed under the forced heirship provisions, (2) be alive at the time of the decedent's demise, (3) they must not have killed the decedent and (4) they must not be of a different religion (ie, a Muslim and non-Muslim cannot inherit from each other, but Muslims may inherit from each other and non-Muslims of different religions may inherit from each other).

HEIRS UNDER THE FORCED HEIRSHIP PROVISIONS

Heirs under the forced heirship provisions are the decedent's spouse, children, parents, grandparents and siblings. However, depending on who has survived the decedent, not all are guaranteed shares of the estate. For example, a living son will preclude a living brother from receiving a share of the estate.

For the sake of simplicity, this summary will focus on the three most common heirs: spouses, children and parents. If alive, each is guaranteed a share, unlike grandparents and siblings whose share is not necessarily sacrosanct.

Saudi law differentiates between males and females and, therefore, distinguishes the entitlements of spouses, parents and children. Additionally, the term 'descendant' is only used to define first degree descendants of the decedent and onward descendants of the male descendants of the decedent. Therefore, a daughter of a daughter is not a descendant for the purposes of forced heirship, whereas the daughter of a son is.

The applicable forced heirship provisions are summarised in the table below. The use of 'estate' refers to the entire estate in the case of intestacy or the residuary estate after distributions are made pursuant to bequests (if applicable).

Heir	Share of the Estate
Husband	• The husband receives one-half of the estate provided the decedent has no descendants. • The husband receives one-quarter of the estate if the decedent has descendants.
Wife	• The wife receives one-quarter of the estate provided the decedent has no descendants. • The wife receives one-eighth of the estate if the decedent has descendants.
Son	• The sons of the decedent (as a collective) receive the balance of the residuary estate following the distribution of any other shares. • If the deceased parent was survived by both male and female children, the sons receive twice the entitlement of their female siblings, ie, the residuary estate is divided using a 2:1 ratio.
Daughter	• The daughter receives one-half of the estate if her deceased parent had no other children. • The daughters of the decedent (as a collective) receive two thirds of the estate if their deceased parent had no sons. • If the deceased parent was survived by both male and female children, then the daughters (as a collective) receive half the entitlement of their male siblings, ie, the residuary estate is divided using a 1:2 ratio.
Father	• The father receives one-sixth of the estate when the decedent had a male descendant. • The father receives one-sixth of the estate, as well as the residuary estate (following the distribution of the other shares), where the decedent had only female descendants. • The father receives only what remains after the other shares have been distributed when his deceased child has no descendants.

Mother	• The mother receives one-sixth of the estate where the decedent had descendants and/or two or more siblings. • The mother receives one-third of the residuary estate (following distribution of the other shares), where the decedent's sole survivors were their spouse and both parents. • The mother receives one-third of the estate in all other circumstances.

While the rules are straightforward for most cases, due to the large number of possible iterations, it is recommended to consult with an estate specialist to confirm the precise distribution to be pre-determined in accordance with the applicable forced heir provisions.

C. Waiving reserved shares

An heir may gratuitously waive his or her reserved share under the forced heir provision, and may also waive it, fully or partially, in exchange for something else, whether from the decedent's estate or not. However, such waivers can only take effect after the death of the decedent.

III. Alternative vehicles for estate planning

Due to a combination of Saudi Arabia's conservative cultural nuances, the lack of probate expenses and delays and the fact that there is no estate, inheritance or gift tax, there are few exceptional, alternative estate planning options that allow a greater degree of flexibility and testamentary freedom, which are used, in particular, by wealthier Saudi families.

A. Endowments

An endowment (*waqf*, pl. *awqaf*) is used in Sharia law to refer to a voluntary, permanent and irrevocable dedicated disposition of assets made by an endower (*waqf*). Until recently, the application of Saudi law governing endowments was the sole purview of the Sharia courts, as there were no published rules or regulations detailing the formalities of *Awqafs*. Rather, the judges of the Sharia courts used classical Islamic law to make decisions.

However, following the establishment of Saudi Arabia's General Authority for the Regulation of Endowments (the 'Authority') in 2010, it is anticipated that a systematic law codifying the rules of endowments will be released within the next two years, ushering in a number of changes and clarifying much of the existing framework. The draft law was released for public consultation in 2023. Pending the introduction of revised estate and probate laws, we have included a summary of the current law and the recently published trustee regulations.

TYPES OF ENDOWMENTS

There are three types of endowment in accordance with Sharia law:

- *Al-Waqf Al-Khayri* a charitable endowment whose benefit or revenue is initially designated for a public welfare entity, specifically or by description, such as the poor and needy, mosques, etc;

- *Al-Aaqf Al-Ahli* is a family endowment whose benefit or revenue is designated for the endower, their progeny or specific individuals, by name or description, or their descendants; and

- *Al-Waqf Al-Mushtarak* is a joint endowment whose benefit or revenue is designated for both a charitable entity and a family entity.

ENDOWMENT FORMALITIES

To be a valid endowment, it must comprise the following four key elements:

- an endower who meets specific eligibility requirements;
- the principal of the endowment;
- beneficiaries of the endowment; and
- a valid deed of endowment.

ENDOWER REQUIREMENTS

In order to create an eligible Saudi endowment, the endower must meet the following criteria:

- the endower must be of age, of sound mind and not otherwise legally incapacitated;
- the endowed asset must be entirely owned by the endower;
- the endowment must be dedicated by the endower for a charitable cause or beneficial end; and
- the endowment must be designated by the endower for a specific purpose.

VALIDITY OF THE ENDOWMENT DEED

For the endowment deed to be valid it must contain:

- the name and title of the endower;
- the type of endowment, details of any specific conditions and its expenditures;
- the name of the beneficiary (whether a natural or legal person, or for general purposes); and
- the date of the endowment.

ENDOWMENT CLASSIFICATION

The Authority classifies endowments into the following four categories:

- large endowments: endowments with a total endowed principal of SAR200m or more;
- medium-sized endowments: endowments with a total endowed principal of between SAR 50m and 200m;
- small endowments: endowments with a total value of endowed principal of less than SAR 50m; and

- endowments of direct benefit: endowments that enable the endowed beneficiary to benefit from the endowed principal directly, such as the endowment of medical devices and centres for providing advisory services, et al.

TRUSTEESHIP OF ENDOWMENTS UNDER SAUDI LAW

In accordance with the laws of Saudi Arabia, a trustee may be appointed to supervise the endowment at the discretion of the endower, or it may be managed by the endower in their capacity as the designated trustee. The trustee can be either a legal entity or a natural person. If a legal entity is appointed, it must be licensed by the Authority. If a natural person is appointed as a trustee, they must meet the following conditions, which must be properly verified by the Authority:

- they must be a Muslim;
- they must have legal capacity;
- they must possess the requisite knowledge and suitable qualifications in order to properly manage the endowment;
- they must be of good reputation and conduct, not having been convicted of a crime that involves moral turpitude or dishonesty;
- they must not have been previously removed from trusteeship by a final judicial ruling due to a lack of integrity; and
- in cases where the endower is foreign and the endowed asset is real estate, the proposed trustee must be a Saudi national.

Foundations

There are four foundation regimes available throughout the Gulf Cooperation Council (GCC). The Qatar Financial Centre (QFC) was the first to introduce the civil law foundation to the region in 2015. It was swiftly followed by the United Arab Emirates, who now offer three different foundation options in the emirates of Abu Dhabi (ADGM), Dubai (DIFC) and Ras Al Khaimah (RAKICC). There has certainly been an increase in the number of Saudi Arabian business families establishing ADGM and DIFC foundations as an efficient and sustainable estate planning solution for the purposes of protecting and preserving their regional wealth.

A foundation can be carefully constructed to accommodate the principles of Sharia law, if so desired. Conversely, they can also be adapted to reflect the requirements of the modern Arab family, who may prefer to adapt an equal distribution policy among family members. The fiscal frameworks of Saudi Arabia and the UAE provide tax-efficient solutions, which are easily administrable, especially where families wish to retain a greater degree of involvement and management.

Due care and attention must be given in the preliminary advisory stages to ensure that the central management and control for the foundation remains in the UAE, rather than Saudi Arabia.

Most assets can be directly transferred into a foundation ownership structure. However, there are certain restrictions that may apply, and advice must be taken on a case-by-case basis in order to analyse the precise composition of the estate, in order to address any prohibitions that may apply to certain assets.

UAE foundations are subject to distinct foundations laws, which are broadly similar to other foundations in jurisdictions such as Liechtenstein, Panama, Guernsey and Jersey. If properly constituted, they can withstand forced heirship claims.

IV. Taxation

A. Domicile and residency

DOMICILE FOR INDIVIDUALS

In the Kingdom of Saudi Arabia (KSA), individuals are not subject to income tax. A person is considered to a tax resident in the KSA where the following conditions are met:

- where an individual's permanent home is situated in the KSA and the individual spends a total period of more than 30 days in a taxable year in the KSA; and
- the person resides in KSA for at least 183 days in the tax year.

Further, an individual's domicile may be determined to be in Saudi Arabia according to any applicable double tax agreements that Saudi Arabia has entered into with a number of countries. Ordinarily, this would also take into account key factors such as the individual's 'centre of financial or personal interests'.

RESIDENCY FOR COMPANIES

A company's tax residence is determined annually. A company will be a KSA tax resident if any of the following requirements are satisfied:

- the company was incorporated in the KSA in accordance with the Companies Law; or
- the company's central management is located in the KSA.

Accordingly, a company incorporated in Saudi Arabia is automatically considered to be a resident. However, for foreign-incorporated companies, residency is established if the central management and main activities, such as board meetings and strategic decision-making, occur primarily in Saudi Arabia. This includes key management decisions, strategic planning and governance. Resident companies are subject to Saudi Arabian tax laws on their global income.

Notwithstanding the above, the Zakat, Customs and Tax Authority (ZATCA) has proposed a new tax law that considers and implements international best practices and Organisation for Economic Co-operation and Development (OECD) recommendations. The public consultation period for this proposed law ended on 25 December 2023. However, no clear update on when the law will be released has been provided since then.

B. Zakat and corporate income tax: an overview

As stated above, natural persons that are resident in the KSA are not taxed in the KSA, unless they perform a commercial activity. However, the KSA operates a corporate income 'tax' system in which two different types of taxes may be applicable to a corporate person, namely corporate income tax (taxed on income) (CT) or Zakat (a religious tax that is levied based upon the individual's net worth).

The two-tier tax system operates based on the shareholding of KSA incorporated entities (or KSA branches of foreign entities), as follows:

- a Saudi company owned by KSA/GCC nationals is subject to Zakat at approximately 2.5 per cent on the higher of its annual net profits adjusted for Zakat purposes or the 'Zakat base'; and

- a Saudi company owned by non-GCC national shareholders only is subject to CT at the rate of 20 per cent applicable on the profits adjusted for CT purposes.

In the event that a Saudi company has both KSA (or GCC) and non-GCC shareholders, it is subject to both Zakat and CT on a proportionate basis based on the shareholding. These entities are called 'hybrid tax' entities.

Both Zakat and CT are payable via the annual tax return of a company and are due 120 days after the end of the applicable financial year (as per the entity's financial statements), according to either the Gregorian or Hijri calendar year.

C. Corporate tax liability

Corporate tax liability will be largely based on the above principles of residency and in regard to the 'source of income', subject to any applicable double taxation agreement (DTA). In relation to the connection between residency and the income source, the general rules are that:

- Saudi tax residents who are subject to CT will pay CT on all of their income (including capital gains) from any source, whether in or outside the KSA (subject to any applicable DTA);

- foreign tax residents will pay CT on income (other than any capital gains) derived directly from a permanent establishment located in the KSA or from sources in the KSA;

- foreign tax residents will be liable to capital gains tax earned from disposals of Saudi companies. If they are tax residents this appears on their annual tax return, otherwise capital gains must be reported on the tax return of the Saudi company;

- resident non-Saudi natural persons who carry on activities in the KSA; and

- any person engaged in natural gas investment fields or oil and other hydrocarbon production.

In relation to the above five categories, CT is applied on the net adjusted profits at a rate of 20 per cent.

In addition to the above, the CT rules require the transfer pricing bylaws of the KSA to apply to entities subject to CT. This means transactions conducted between entities that are 'related parties' would be subject to arms-length pricing requirements.

D. Zakat

With regards to entities that are wholly or partially subject to Zakat, Zakat is levied at a rate of approximately 2.5 per cent on the 'Zakat base', which is calculated using a 'source of funds method'. Where the Zakat base is lower than the 'adjusted net profit for Zakat purposes', it will be subject to minimum and maximum thresholds.

The Zakat base broadly comprises the Saudi/GCC shareholder's share of equity components, such as share capital, retained earnings, reserves, etc, provisions and long-term financing, less fixed assets, long-term eligible investments and accumulated losses, plus/minus the adjusted net income for the year.

Where the Zakat base falls below the adjusted net profit, the Zakat base is recalculated (ie, the minimum threshold is applied) as the higher of:

- the total non-settled assets (plus the differential between the amended net profit and the book net profit); and
- the net adjusted profit for Zakat purposes. Where the result is negative and no amended net profit is achieved, no Zakat base arises.

Previously, the net adjusted profit for Zakat purposes was calculated using the accounting profit before tax, with adjustments made on broadly the same basis as the KSA CT rules. However, the Zakat Implementing Regulations were amended in 2024 and now provide that the net adjusted profit (or loss) for Zakat purposes is calculated as a standalone Zakat-specific computation.

The starting point for calculating the net adjusted profit for Zakat purposes is the accounting profit before tax, as shown in the Zakat payer's audited financial statements. Expenses are then assessed against the following three general controls:

- they must be actual (whether ordinary or necessary, including expenses relating to prior years);
- they must be linked to the Zakat payer's activity; and
- they must be supported by documentation approved by the ZATCA.

Expenses that fail the controls are added back onto the profit, ie, they are disallowed as deductions, and those expenses that satisfy the controls remain deducted when arriving at the adjusted net profit.

On the other hand, the maximum threshold applied to the Zakat base requires that the Zakat base cannot be greater than the value of the property rights and equivalents as shown in the Zakat payer's statement of financial position at the end of the Zakat year (adjusted by the differential between the amended net profit (or loss) and the book net profit (or loss)).

From 1 January 2024, transfer pricing bylaws also apply to entities subject to Zakat.

TAXATION OF AWAQF AND CHARITABLE ORGANISATIONS FOR ZAKAT PAYERS

The Zakat Implementing Regulations exclude from Zakat collection all Zakat payers carrying out activities that benefit the public, including involvement in charitable associations, non-governmental organisations, training units (and their fully owned establishments), *Waqf*-owned entities and non-profit organisations established under the Companies Law, subject in each case to conditions relating to the nature and proportion of their disbursements.

In the context of *Awqaf* in the KSA, an entity that is subject to Zakat (ie, the 'Zakat payer') that is owned either directly or indirectly by one or more *Awqaf* established in the KSA, is exempt from KSA Zakat. A specific application for the exemption should be submitted and the ZATCA has sole discretion as to whether to grant it.

The exemption applies where:

- the *Waqf* is established and registered through legal methods in the Kingdom;
- the Zakat payer is wholly owned by a *Waqf,* whether in a direct or indirect manner. Disbursements to a specific person (including the endower and their descendants) are permitted provided they do not exceed ten per cent of the *Waqf's* total revenues; and
- where more than one *Waqf* owns the Zakat payer, the ten per cent threshold is calculated proportionately between the *Awqaf*.

Specific rules apply on how to determine whether a disbursement is made for a charity and special consideration must be given to ensure the relevant documentation is provided as a part of the application to the ZATCA.

In addition, transfer pricing rules for related parties must continue to be met.

For completeness, the above treatment only applies to entities that are subject to Zakat and does not apply to entities that are 'hybrid tax' entities, being partly foreign owned and, therefore, subject to CT.

E. Real estate transfer taxes

The KSA also has specific requirements for the transfer of property, the transfer of shares in real estate companies and other disposals of property that are subject to a real estate transfer tax (RETT) of five per cent, which is applied regardless of the condition or use of the applicable properties.

Specific exemptions apply in regard to RETT, in particular where a property is held by family or a charitable endowment, provided that no change has been made in regard to the equity of the beneficiary company for at least five years. Specific rules must be met in order to ensure that this exemption is applicable.

F. Other taxes

In addition to the above, the KSA also has the following taxes:

- value-added tax (VAT) at 15 per cent on taxable supplies of goods or services;

- withholding taxes on payments made by a resident or a permanent establishment to a non-resident for services purchased from overseas. The tax rates range from five per cent to 20 per cent and are subject to various DTAs;

- customs duties that are imposed on imports of goods into the KSA, which range from five per cent to 25 per cent;

- excise taxes that are applied to the import and/or sale of goods, which range between 50 per cent and 100 per cent;

- social insurance tax that is paid on a monthly basis in regard to employees and is two per cent for non-Saudi employees and 21.5 per cent for Saudi employees contributing before 2024, and 24 per cent thereafter; and

- white land tax that is imposed on undeveloped land within designated urban zones, which can range between 2.5 per cent and ten per cent of the land value.