
Saudi Arabia's 2025 Expropriation Law: *What Has Changed?*





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Introduction

The Saudi Council of Ministers has *recently enacted the Law on Expropriation of Real Estate for Public Interest and Temporary Taking of Property* (the “2025 Expropriation Law”), published in the Umm Al-Qura Newspaper, Issue No. 5108, dated 27/03/1447H (19 September 2025).



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The 2025 Expropriation Law came into force on 28/07/1447H (17 January 2026), replacing the previous Law on Expropriation of Real Estate for Public Benefit and Temporary Taking of Property issued under Royal Decree No. M/15 of 2003 (the “2003 Expropriation Law”). This reform represents a key component of Saudi Arabia’s ongoing legislative agenda under Vision 2030, aiming to support infrastructure development and urban growth, enhance procedural governance, and strengthen the protection of property owners’ rights.

In this publication, we cover:

- Key Takeaways on the New Legal Framework
- Key Differences Between Saudi Arabia’s 2003 and 2025 Expropriation Law



Key Takeaways on the New Legal Framework



Key Takeaways on the *New Legal Framework*

Main Objectives of the Reform

The 2025 Expropriation Law in Saudi Arabia is designed to ensure that expropriation measures are undertaken exclusively in situations where there is a distinct and legitimate public interest at stake. This approach aims to prevent arbitrary or unjustified expropriation and to reinforce the principle that the public good must be clearly demonstrated before any property rights are affected.

A key focus of the reform is to elevate procedural standards by introducing processes that are both streamlined and transparent. By doing so, the legislation seeks to provide clarity and predictability for all parties involved, reducing bureaucratic delays and enhancing trust in the expropriation system.

Another central objective is to guarantee fair and equitable compensation for property owners. The law balances this commitment with the need to safeguard public finances, ensuring that compensation is just but does not place an undue burden on the state's resources.

Finally, the reform aims to align expropriation practices with current legislative and regulatory trends. By harmonising with modern legal frameworks, Saudi Arabia ensures that its approach remains relevant and effective in a rapidly changing environment.

Another central objective is to guarantee fair and equitable compensation for property owners. The law balances this commitment with the need to safeguard public finances, ensuring that compensation is just but does not place an undue burden on the state's resources.





Specific tax exemptions are provided to owners whose properties are expropriated, *further mitigating the financial impact of compulsory acquisition.*

What Procedural Safeguards and Rules Have Been Introduced?

Under the 2025 Expropriation Law, a number of procedural safeguards and rules have been introduced to regulate the expropriation process and structure its key stages, as follows:

Notification Requirement:

Project proponents are mandated to notify the competent authority within 90 days in the event that expropriation becomes necessary, whether during the course of project execution or following its completion. This statutory timeframe is designed to ensure timely regulatory oversight and procedural integrity.

Limits on Temporary Possession:

Possession: The statute imposes a maximum duration of three years for temporary possession of property. Extensions for an additional three-year period are permissible solely upon approval by the Expropriation Committee, safeguarding against indefinite or arbitrary occupation.

Termination of Procedures:

In circumstances where the necessity for expropriation ceases prior to formal notification of the property owner, the process must be terminated forthwith. This provision upholds the principle of minimal interference with property rights.

Compensation for Non-Owners:

The Law confers the right to compensation upon tenants, lawful users, and other parties adversely affected by expropriation or temporary possession, ensuring redress for any losses incurred as a result of such actions.

How is Financial Oversight and Valuation Managed?

The 2025 Expropriation Law establishes specific mechanisms to regulate financial oversight and property valuation, as follows:

Secured Appropriations:

Expropriation proceedings may only commence once dedicated compensation funds have been formally allocated, ensuring the financial security of affected parties from the outset.

Independent Valuation:

All property subject to expropriation must be appraised by a panel of three valuers accredited by the Saudi Authority, guaranteeing a robust and impartial assessment of market value.

Compensation Formula:

Owners are entitled to receive the prevailing market value of their property, supplemented by an additional 20%—applicable to both expropriation and temporary possession scenarios.

Tax Relief:

Specific tax exemptions are provided to owners whose properties are expropriated, further mitigating the financial impact of compulsory acquisition.

Centralised Oversight:

A unified supervisory authority now governs all matters related to expropriation and temporary possession, promoting consistency, transparency, and adherence to statutory standards.

How Do Expropriation and Temporary Taking of Possession Differ?

To clarify the distinction between permanent expropriation and temporary taking of possession under the 2025 Expropriation Law, the table below outlines the key legal and practical differences between the two mechanisms. While both serve

public interest objectives, they differ in terms of legal effect, duration, ownership consequences, and the basis for compensation, each being subject to a distinct regulatory treatment:

Key Differences Between Expropriation and Temporary Taking of Possession

Aspect	Expropriation of Real Estate Ownership	Temporary Taking of Possession
<i>Definition</i>	Permanent transfer of property ownership to the authority for public projects	Temporary use of property for public benefit without transfer of ownership
<i>Ownership</i>	Transferred to the State/Authority	Remains with the original owner
<i>Duration</i>	Permanent	Limited period (up to 3 years, renewable once)
<i>Compensation Basis</i>	Market value of the property plus an additional 20%	Rental value of the property plus an additional 20%
<i>Return of Property</i>	Owner does not regain the property	Owner regains the property after use for public purpose ends
<i>Damages Compensation</i>	Yes, for damages arising from expropriation	Yes, for damages arising from temporary possession
<i>Possibility of In-Kind Compensation</i>	Yes, in certain circumstances	No

What Compensation is a Person Entitled to under the 2025 Expropriation Law?

A person whose property has been subject to expropriation is entitled to compensation as follows:

1. Compensation is calculated based on the market value of the property, with an additional 20% added to that value.
2. Compensation for any damages resulting from the expropriation procedures.
3. In certain cases, compensation may be provided in kind, in accordance with the Law.

A person whose property has been subject to temporary taking of possession is entitled to compensation as follows:

1. Compensation is calculated based on the rental value of the property, with an additional 20% added to that value.
2. Compensation for any damages arising from the temporary possession.

What Exemptions are Available?

The 2025 Expropriation Law introduces specific tax exemptions aimed at mitigating the fiscal impact of compulsory acquisition on property owners and facilitating their ability to acquire replacement property. These exemptions are intended to ease the financial burden associated with expropriation and to support a smoother adjustment process for affected individuals, as follows:

Real Estate Transaction Tax:

Property owners whose land has been expropriated are not required to pay this tax when purchasing a replacement property, provided this occurs within five years and the value does not exceed the compensation received.

White Land Tax:

Owners are exempt from this tax if the compensation comes in the form of substitute land, as stipulated by the law.

Conclusion

The 2025 Expropriation Law represents a qualitative legislative shift in the regulation of state intervention in private property. It reflects a more mature approach centred on strengthening governance, reinforcing procedural discipline, and achieving a fair balance between public interest and the protection of individual property rights. The law frames expropriation within clearer parameters of public purpose, while enhancing legal certainty and transparency, thereby contributing to a more controlled and proportionate use of this exceptional power.

In this context, the legislator has recalibrated the institutional and procedural framework governing expropriation by consolidating supervisory authority, restructuring decision-making and implementation stages, and linking the legality of initiating procedures to the prior availability of dedicated compensation appropriations. These reforms promote greater regulatory discipline and reduce the risk of inconsistent application. The law also strengthens procedural transparency through clearer notification mechanisms, defined timelines for inventory and valuation, and more structured rules governing temporary possession, while extending protection to non-owners and other affected parties.

Nevertheless, the practical impact of these reforms will ultimately depend on the effectiveness of implementation, particularly in terms of institutional coordination, the technical capacity and consistency of valuation practices, compliance with statutory timelines, and the efficiency of grievance and review mechanisms, which remain critical determinants of the Law's ability to achieve its intended objectives in practice.



Key Differences Between Saudi Arabia's 2003 and 2025 Expropriation Law

Governance and Legal Authority *Responsible of the Law's Enforcement*



2003 Expropriation Law:

- Expropriation powers were distributed across ministries, government agencies, and public entities.
- Each entity could directly initiate expropriation procedures under its own mandate.
- Decisions were issued by the competent official within the entity and communicated individually to municipalities, the notary public, and other authorities.



2025 Expropriation Law:

- Supervisory authority is centralised under the State Properties General Authority (SPGA).
- The project-owning entity must submit a formal expropriation request and secure the required budget before any action.
- Requests are reviewed by the newly established Committee for Property Expropriation and Temporary Possession, ensuring structured oversight.

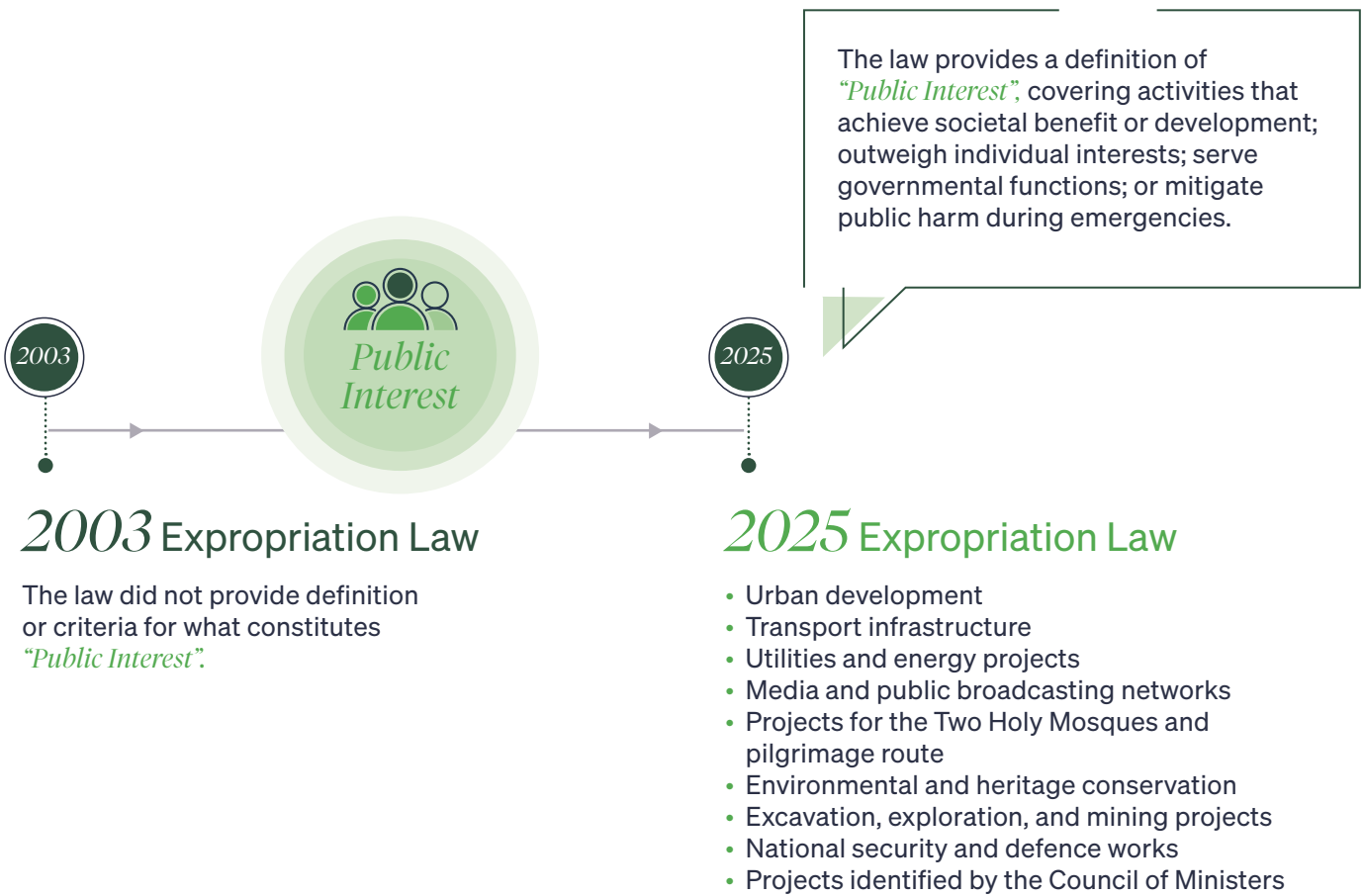


Key Insight

Saudi Arabia *shifted from a fragmented model to a centralised governance framework*, improving consistency, accountability, and procedural clarity.

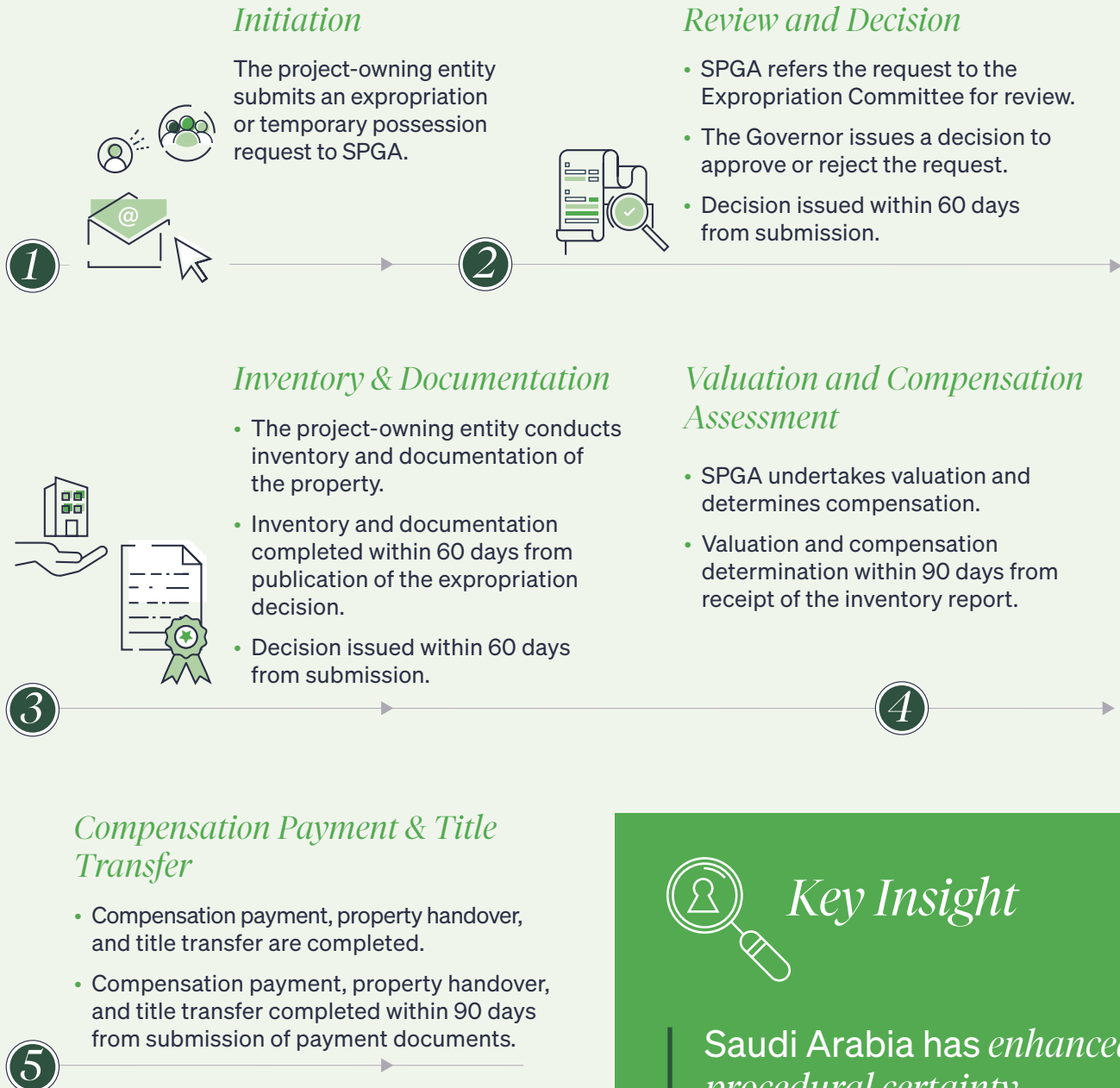


Public Interest: *From Undefined Concept to Clearly Defined Criteria*



Expropriation Procedures are *now Governed by Binding Timelines*

While the 2003 Law did not provide for statutory timelines across expropriation stages, the 2025 Law introduces a structured, time-bound procedure.



 **Key Insight**

Saudi Arabia has *enhanced procedural certainty and time bound decision making*, a core element of good governance and rule of law.

Strengthening Inventory and Valuation Requirements under the Expropriation Framework

How Inventory and Valuation Requirements Have Evolved

Area	2003 Expropriation Law	2025 Expropriation Law
<i>Alternative Inventory Mechanism</i>	Inventory mechanism provided under Article 6	Inventory mechanism retained and further detailed under Article 13
<i>Scope of Inventory</i>	General reference to inventory without prescribed documentation requirements	Inventory report must include drawings, photographs, and property details
<i>Timeline for Inventory</i>	No specific statutory timeline	Statutory timeline is introduced for submission of the inventory report
<i>Alternative Inventory Mechanism</i>	Not expressly regulated	Alternative mechanism introduced where inventory cannot be conducted
<i>Valuation Body</i>	Government committee comprising representatives of five entities (Article 7)	Valuation based on reports prepared by three independent accredited valuers (Article 14)
<i>Valuation Review mechanism</i>	Valuation reconsideration available but without a technical review framework	Valuation reviewed by a technical committee, with compensation based on the average value
<i>Valuation Standards</i>	Not expressly addressed	Valuation conducted in accordance with national valuation standards



Key Insight

The 2025 Expropriation Law reflects a structural reconfiguration of the valuation framework, moving from an administratively driven, committee-based model *toward a standards-based and professionally verified approach.*

Compensation Evolving *Beyond Purely Monetary Redress*

Compensation Framework: 2003 vs. 2025 Expropriation Law

Area	2003 Expropriation Law	2025 Expropriation Law
<i>Core Principle</i>	Fair compensation principle, broadly stated	Fair compensation principle retained with more explicitly defined components
<i>Valuation Baseline</i>	Market value at valuation date	Market value retained as baseline
<i>Statutory Uplift</i>	Fixed 20% uplift	Fixed 20% uplift retained
<i>Temporary Possession Compensation</i>	Compensation not less than rental value plus equivalent uplift	Compensation framework retained with clarified valuation basis
<i>Compensation in Kind</i>	Permitted in limited form, subject to owner consent	Expanded forms (replacement land, financial participation), subject to consent
<i>Fiscal Treatment</i>	No explicit incentives	Tax and fee exemptions introduced
<i>Value Alignment (Replacement Land)</i>	Not regulated	Replacement land value set at 20% to 40%

Analytical Dimensions of the *Compensation Framework*



Role of compensation as a policy tool

- ▶ **2003 Expropriation Law:** Compensation treated primarily as a monetary/legal entitlement.
- ▶ **2025 Expropriation Law:** Compensation integrated as a broader policy instrument (land, incentives, participation).



Owner choice and consent

- ▶ **2003 Expropriation Law:** Owner consent recognised, but without a structured menu of compensation options.
- ▶ **2025 Expropriation Law:** Owner consent retained, with clearly defined alternative compensation pathways.



Predictability of compensation outcomes

- ▶ **2003 Expropriation Law:** Predictability driven mainly by fixed statutory uplift.
- ▶ **2025 Expropriation Law:** Predictability enhanced through defined ranges, statutory safeguards, and structured alternative options.



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