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# THE IMPACT OF THE LEGAL SYSTEMS OF CORPORATE GOVERNANCE ON THE REAL ESTATE INDUSTRY IN SAUDI ARABIA AND THE UNITED KINGDOM: A COMPARATIVE STUDY

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## ABSTRACT

*In this study, the researchers have examined and compared the effect of corporate governance laws on the real estate markets in the United Kingdom (UK) and the Kingdom of Saudi Arabia (KSA). The growth and development of a country's real estate sector are significantly affected by its corporate governance laws. This study aims to highlight the influence of the corporate governance legal systems on the real estate sectors in both countries by examining regulatory frameworks, ownership and financing arrangements, and investor protection measures. The researchers employed a comparative analysis process based on a doctrinal legal research technique, to determine the similarities, differences, and probable areas for improvement.*

**KEYWORDS:** Legal Systems, Corporate Governance, Real Estate, Saudi Arabia, United Kingdom, Comparative Study.

## 1. INTRODUCTION

The real estate sector acts as an important factor influencing the economic growth and development of several countries across the globe, which can contribute to their Gross Domestic Product (GDP), and it also offers numerous employment opportunities, and helps attract investments. However, a nation's corporate governance laws have a significant impact on the operation of the real estate market. Corporate governance is described as the set of rules, regulations, and procedures that control the correlation between a company's management, shareholders, and other stakeholders.

In the past, the United Kingdom (UK) has gained a prominent spot in the international debate on corporate governance. Though the idea emerged from the United States, the UK significantly contributed to this subject in 1998 when it implemented the UK Corporate Governance Code. One such contribution included the introduction of the "comply or explain" approach, which has since been adopted by other countries. According to the "comply or explain" approach, businesses must follow the law or offer a written explanation if they do not.

The Kingdom of Saudi Arabia (KSA) is the 2nd country in the Gulf to incorporate corporate governance into its governmental institutions. The KSA released its Corporate Governance Code, which followed the UK model, in addition to its Companies Act.

Real estate, on the other hand, has been a thriving sector in the two countries, offering critical infrastructure and shelter while promoting the development of several sectors. The performance of the real estate sector is influenced by national differences that nevertheless exist despite the worldwide trend towards higher corporate governance norms.

This study uses a doctrinal process to determine major discrepancies and similarities between the corporate governance laws in the KSA and the UK's real estate sectors, in addition to their consequences. **This study is organised into five parts** Introduction, Literature Review, Corporate Governance, Real Estate Comparative Analysis, and Conclusion. This would offer important insights into the effectiveness of implementing corporate governance procedures in the context of the real estate industry in both countries.

## 2. LITERATURE REVIEW

The impact of corporate governance on a number of businesses, including the real estate sector, has been extensively studied. The researchers have noted that effective corporate governance practices have led to increased accountability, transparency, and investor protection, leading to a resilient and sustainable real estate market. Furthermore, comparative studies between countries have highlighted the strengths and shortcomings of their different corporate governance legal frameworks.

The real estate industry in the KSA has grown significantly in the last several decades. The industry's landscape is also shaped by its corporate governance law structure. The rules implemented by several regulatory organisations, including the Real Estate General Authority (REGA), and resolutions presented by the Council of Ministers are used as the major regulatory framework for the real estate sector.

In their study, Daher and Elia highlighted the significant resolutions passed by the KSA's Council of Ministers and highlighted their effect on the development of the country's real estate market. The REGA was established by Council of Ministers Resolution No. 239, dated 25/04/1438H (23 January 2017), and was empowered to oversee, control, and establish non-governmental real estate operations to stimulate investment in the industry and satisfy the objectives of the comprehensive strategy in the real estate sector.

Additionally, the Realty in Kind Registration (RKR) Law was amended by Council of Ministers Resolution No. 69, dated 23/01/1443H (31 August 2021), and Royal Decree (RD) No. M/91, dated 19/09/1443H (20 April 2023), which also granted additional powers to the REGA, like the development of a decentralised system for land registration and transfers. Additional significant resolutions include Council of Ministers Resolution No. 849, dated 02/12/1444H (20 June 2023), which amends regulations regarding the sale or lease of off-plan real property units; RD No. M/85, dated 02/07/1441H (26 February 2020), which amends the Law of Real Estate Ownership of Units, Sorting and Management; and the New Real Estate Contribution Law (NRECL) of 23/12/1444H (11 July 2023).

Al-Faryan undertook a thorough investigation into the development of corporate governance in the KSA. Despite its narrow scope, this study has become a significant resource for both practitioners and academics, particularly foreign and domestic investors who consider investing in the KSA.

The KSA evolved from having no corporate governance model to implementing an Anglo-American model to correspond with its business environment. This model integrates features of strong corporate governance practices from the UK and the USA, including the implementation of International Accounting Standards (IAS).

In their study, Pillai et al.[1] assessed the institutional dynamics of governance compliance in developing countries, by primarily focusing on the real estate industry in the Gulf Cooperation Council (GCC).

The findings revealed that Dubai shows the highest level of corporate governance adherence, followed by Abu Dhabi and the KSA. The researchers ascribe these countries' success in corporate governance compliance to their firms' entrepreneurial character, governance ability, socio-cognitive competences, and the degree of regulatory enforcement in their prevailing governance logic.

In their study, Alsajjan et al.[2] put forth a few objectives to identify the governance of the existing real estate market in the KSA and evaluate the threats and challenges that can influence the industry.

Their results indicated that several stakeholders, such as citizens, investors, bankers, contractors, developers, and non-Saudis, are involved in the KSA's corporate governance framework. Despite the significant risks and issues, they can be managed by using smart tools and suitable techniques, like a risk governance framework.

The primary financial facets of the real estate sector in the KSA were described by Daglas and Saleem[3]. These included tax obligations, International Financial Reporting Standards (IFRSs), existing performance, and prospects for the future. The Saudi Organization for Chartered and Professional Accountants (SOCPA) has approved the IFRSs in the KSA to guarantee that financial statements are comparable across various companies and sectors. These guidelines address a number of topics, such as taxes, leases, pensions, financial instruments, and income recognition.

Real estate companies must adhere to IAS 40 requirements with respect to their accounting needs for their investments in real estate, while IAS 2 has presented many inventories and outlines how companies must account for their real estate inventories, whether they are actively developing new projects or holding existing properties for sale. The researchers observed that the KSA's real estate market is positioned as a potential hub for growth in the Middle East, owing to recent investments in infrastructure, like high-speed rail systems and expansion of the public transit system.

In their study, MacDuff[4] presented the importance of the UK's Corporate Governance Code (the Code), which lists important governance guidelines for best practices. This can apply to any business, regardless of where they were incorporated or have a premium listing of equity shares in the UK. The Code is organised into primary principles, supporting concepts, and provisions. Although it lacks statutory authority, it offers suggestions and direction and establishes the fundamentals of good governance.

Brenni[5] investigated how important corporate governance factors influence capital structure decisions for UK-listed real estate organisations. According to his hypotheses, the percentage of non-executive directors (board independence) is positively associated with leverage, while board size, CEO tenure, two-tier board structure (CEO duality), and CEO compensation are all negatively related to leverage.

## 3. CORPORATE GOVERNANCE

Chen defined governance as "*the system of rules, practices, and processes by which a company is directed and controlled.*" This definition includes the distribution of duties, decision-making procedures, and the scheduling of activities in an organisation. Since the organisation is regarded as a separate legal entity, its direction and management are essential. Corporate governance ensures that the company's interests are prioritised over its members' personal interests by establishing rules and practices that influence member behaviour. Therefore, corporate governance encompasses almost every facet of management, such as corporate transparency, performance evaluation, internal controls, and action plans.

Furthermore, the Organisation for Economic Cooperation and Development has defined corporate governance as "*the system by which business*

[1] Pillai, R., Al-Malkawi, H-A., and Bhatti, M. I. (2021). Assessing Institutional Dynamics of Governance Compliance in Emerging Markets: The GCC Real Estate Sector. Journal of Risk and Financial Management 14: 501. https://doi.org/10.3390/jrfm14100501

[2] Alsajjan, S., Seetharaman, A., & Maddulety, K. (2020). "Saudi's Real Estate Governance." ResearchGate. https://www.researchgate.net/publication/339874874

[3] Daglas, A., & Saleem, S. (2022, November 6). Real estate sector in Saudi Arabia. Grant Thornton Saudi Arabia. Home. https://www.grantthornton.sa/en/insights/articles-and-publications/realestate_in_ksa/

[4] MacDuff, V. (2018, July 10). *Corporate governance in the United Kingdom*. Lexology. https://www.lexology.com/library/detail.aspx?g=c0fc3533-fff0-4f1d-8229-6be9728bcf93

[5] Brenni, P. A. (2014). Corporate Governance and Capital Structure Decisions of UK Listed Real Estate Companies. *Research Journal of Finance and Accounting*, *5*(1).

*corporations are directed and controlled.*" But according to Castrillon, there is no universally accepted definition of corporate governance because various academics have differing perspectives regarding this topic. Castrillon has observed that several researchers have studied the following features of corporate governance: a governmental financial model, a normative model of governance that emphasises contracts between the participants, a cognitive governance model, governance mechanisms that discipline managers and address agency conflicts, or governance mechanisms that enable managers to seek out and pursue novel investment opportunities and promote decision-making through best practices.

In the context of corporate governance, efficiency and transparency are frequently highlighted as the key objectives. Each stakeholder, which includes the board of directors, management, shareholders, and the public, will have faith in the company's operations if the above objectives are satisfied. This trust is derived from their understanding of the processes and procedures employed in making the decisions that could influence them.

### *3.1. Corporate Governance in the United Kingdom (UK)*

The UK's corporate governance procedures are highly valued, especially because of the way its businesses have earned the confidence of investors and inspired other governmental and non-governmental organisations. The Governance Code is the main document that regulates corporate governance in the UK. The Code helps promote effective financial governance by ensuring the following

1. Chairman and CEO responsibilities should be kept separate.
2. A balance must be maintained between the executive and independent non-executive directors.
3. Strong, independent audit and compensation committees should be in place.
4. The board's performance should be evaluated annually.
5. Appointments and compensation should be transparent, and
6. Shareholders should have effective rights that encourage them to interact with the organisations in which they invest.

The Corporate Governance Code's operation does not make other legally binding laws, market guidance, codes of practice, mandatory and default rules, or legal standards founded on common law, statutes (particularly the Companies Act 2006), and regulations like the Listing Rules and Disclosure and Transparency Rules published by the Financial Conduct Authority (FCA) any less applicable.

### *3.2. Corporate Governance in the Kingdom of Saudi Arabia (KSA)*

Before the establishment of the Capital Market Authority (CMA) in 2006, corporate governance was not discussed in the KSA till 2005. The first Corporate Governance Code was released by the CMA after a stock market disaster.

The UK's corporate governance rules published in the Cadbury and Greenbury reports, as well as those of international groups like the Organisation for Economic Co-operation and Development (OECD), were later incorporated to adopt additional corporate governance concepts.

The Saudi Company Law of 1965 was in force before 2006, although it was condemned for being antiquated and omitting contemporary corporate governance standards.

However, the law addressed important issues, including the rights of shareholders. For instance, Article 109 of the law stipulates that if a shareholder has concerns regarding the board of directors or the actions of external auditors, they have the right to ask the company's settlement authority to check the business if they possess 5% or more of its shares.

## 4. REAL ESTATE IN THE UNITED KINGDOM (UK)

The Corporate Finance Institute states that "*real estate is real property that consists of land and improvements, which include buildings, fixtures, roads, structures, and utility systems.*" The UK is widely recognised for its strong legal system and structured corporate governance framework. A few regulatory organisations, such as the FCA, the Land Registry, and the Royal Institution of Chartered Surveyors (RICS), help in monitoring the real estate sector. These organisations encourage ethical behaviour, uphold property rights, and guarantee compliance with financial standards.

### *4.1. Legal Framework for Real Estate in the United Kingdom (UK)*

The laws that govern the real estate sector are categorised as follows: General property legislation, Leasehold, Planning, Environmental, and Tax.

- **General Property Legislation:** a. *The Law of Property Act 1925*: This Act helped establish the existing estate system, which included two legal estates in land: freehold and leasehold. b.

*The Law of Property (Miscellaneous Provisions) Act 1989*: This Act presents the processes needed for designing land contracts. c. *Land Registration Act 2002*: This Act updates the laws and processes required for land registration.

- **Leasehold:** a. *Landlord and Tenant Act 1954*: This Act established a security of tenure framework for tenants of commercial properties. b. *Landlord and Tenant (Covenants) Act 1995*: All leases awarded on or after January 1, 1996, are subject to this Act.
- **Planning:** a. *Town and Country Planning Act 1990*: This Act establishes the basic structure for planning control. b. *Planning (Listed Buildings and Conservation Areas) Act 1990*: This Act presents the framework for the demolition or modification of structures with architectural or historic significance
- **Environmental:** a. *Environmental Protection Act 1990*: This Act establishes a procedure for remediation of contaminated land that endangers the environment or public health. b. *Control of Asbestos Regulations 2012*: According to these rules, anybody in charge of maintaining or repairing non-domestic properties must be able to spot asbestos and take appropriate action.
- **Tax:** a. *Finance Act 2003 (as amended)*: This Act presented the stamp duty land tax.

### *4.2. Real Estate Interests and Ownership*

Any individual can possess a part of land or real estate, either freehold or leasehold. Freehold is considered the highest type of ownership in the UK, which effectively offers complete ownership in different circumstances. On the contrary, for a limited time, a leasehold grants exclusive possession and use of land.[6]

The most important type of land ownership refers to a freehold interest. It usually applies to most homes and denotes outright ownership of property and land for an indeterminate period. This kind of ownership encompasses the land as well as the buildings constructed on it.

On the other hand, a leasehold interest offers a temporary right to use the land or property. Here, 'temporary' can refer to many decades. The owner of a property's freehold interest (known as the landlord or lessor) can give a lease to another party (also known as the tenant or lessee), forming a relationship between the lessor and lessee. The majority of flats in England and Wales are owned as leasehold interests. The recent data presented by the Office for National Statistics indicated that there were 4.3 million leasehold homes in England between 2016–2017.

The rights and responsibilities of the lessor and lessee are delineated in the lease agreement. The majority of leases are lengthy and intricate contracts. A lease has a set duration, although it can be longer or shorter. Although 125-year leases were the norm in the past, more lately, leases with a maximum duration of 999 years are available. In general, the value of the land and property increases with the length of the lease.[7]

All people above the age of eighteen, irrespective of their nationality, are entitled to buy and sell freehold land without any limitations. In the past, freehold land could be purchased and sold by any corporate organisation, regardless of its location, as long as it possessed the appropriate corporate permissions and complied with the applicable United Nations (UN), European Union (EU), or UK penalties. The Economic Crime (Transparency and Enforcement) Act 2022 (ECA 2022) was passed on 15 March 2022, in part as a reaction to Russia's invasion of Ukraine.

The ECA 2022 seeks to identify and publicise the individuals who own or manage companies that own real estate in the UK. Under Part 1 of ECA 2022, the position for international organisations has changed.

This section: *(a) creates a registry of foreign companies, which will contain details regarding their beneficial owners (Sections 3 to 32); and (b) includes clauses that require land-owning foreign organisations to register (Sections 33 and 34).*

### *4.3. Investment Structures in the United Kingdom (UK) That Can Invest in Its Real Estate Industry*

There are several investment structures available in the UK to acquire and hold real estate investments[8], **such as**

- **Partnership:** In a partnership, two or more people conduct business together. The

[6] *Forms of real estate ownership in UK - England and Wales - DLA Piper REALWORLD*. (n.d.). https://www.dlapiperrealworld.com/law/index.html?t=sale-and-purchase&s=ownership-of-real-estate&c=GB-ENG-WLS

[7] *Freehold property - Vyman Solicitors*. (2023, December 18). Vyman Solicitors. https://www.vyman.co.uk/services/property-residential/freehold-property/

[8] Brown, M. (2016). *A Brief Legal Guide to Investing in Real Estate in the UK*. Retrieved February 24, 2024, from https://www.mayerbrown.com/Files/Publication/f7dd11e8-6b58-4cd4-8284-9f27cb872333/Presentation/PublicationAttachment/f0bf727b-6f0b-461f-bd0a-a0c5f2b76a02/brief-legal-guide-to-investing-in-real-estate-in-UK.pdf

partners within any partnership have unlimited responsibility, and the partnership is not considered a separate legal body.

- **Limited Liability Partnerships (LLPs):** An LLP refers to a form of business structure that combines all components of an organisation and a partnership. An LLP functions as an independent legal structure and, like a company, is a body corporate with restricted liability for its members. However, similar to a partnership, relationships between LLP members are controlled by private agreements. An LLP does not include any director or shareholder and is taxed similarly to a partnership.
- **Joint Ventures:** These indicate business contracts (in different forms) that are developed between two or more economically-dependent organisations and help in implementing a specific job.
- **Property Unit Trusts:** A unit trust scheme includes a trustee (generally an insurance firm or bank) and a trust deed, which is signed by the scheme manager, who invests the trust's assets based on the conditions of the trust deed. Investors are the beneficial owners of the trust property, and their interests are represented by units in the unit trust scheme.
- **Real Estate Investment Trusts (REITs)** A REIT indicates an indirect investment vehicle which permits people to buy units for investing in any property.

## 5. REAL ESTATE IN THE KINGDOM OF SAUDI ARABIA (KSA)

The real estate sector in the KSA, which reflects the country's increasing modernisation and urbanisation aspirations, is a pillar of its economic development. The real estate sector is regulated by a legal system that covers numerous aspects of investment laws, property ownership, and investor protection mechanisms.

This system is embedded in the intricate structure of the KSA's laws. Both domestic stakeholders and international investors, who desire to participate in the KSA's vibrant real estate sector, need to understand the complex details of the KSA's real estate law.

### *5.1. Legal Framework for Real Estate in the Kingdom of Saudi Arabia (KSA)*

Shari'ah, which is a complete set of rules that governs all facets of trade, contracts, and commerce, forms the basis for all the property laws in all the KSA's provinces. As mentioned in the past, RDs and Council of Ministers resolutions have also aided in **the development of the KSA's real estate market. These consist of**

1. **Council of Ministers Resolution No. 239 dated 25/04/1438H (23 January 2017):** This resolution helped in establishing the REGA.
2. **Council of Ministers Resolution No. 69 dated 23/01/1443H (31 August 2021):** This resolution considers the different facets of the real estate laws.
3. **Royal Decree (RD) No. M/91 dated 19/09/1443H (20 April 2023):** This decree is used for changing the RKR Law.
4. **Royal Decree (RD) No. M/85 dated 02/07/1441H (26 February 2020):** This decree helps in changing the Law of Real Estate Ownership of Units, Sorting, and Management.
5. **Council of Ministers Resolution No. 849 dated 02/12/1444H (20 June 2023):** This resolution modifies the rules for the leasing or selling of the off-plan real property units.
6. **New Real Estate Contribution Law (NRECL) dated 23/12/1444H (11 July 2023):** This law adds new clauses related to contributions to real estate.

### *5.2. Real Estate Interests and Ownership*

Till the year 2000, only Saudi individuals and businesses were allowed to own residential and commercial real estate in the KSA. However, foreigners were granted the ability to own property, subject to certain limits, as part of the KSA's commitment to promoting foreign investment.

There are two categories of foreigners: GCC nationals and non-GCC nationals.

The GCC consists of Bahrain, Kuwait, Oman, Qatar, the KSA, and the United Arab Emirates. According to RD No. 22 dated 3/4/1432H (8 March 2011), GCC nationals and corporations have a few rights to own land (1432 RD).

They can own residential properties throughout the KSA, except those in Mecca and Medina, and they can lease or buy land to carry out any authorised economic activities. Though they have similar rights to the Saudi citizens, they have to adhere to the below-mentioned restrictions

- Land needs to be used or developed within four years (which can be extended) after registering the property in the buyer's name.
- Land cannot be disposed of until four years after the registration date or until it is used, developed, or constructed upon, whichever

comes first (although permission to dispose of land earlier may be given).[9]

According to the Foreign Ownership of Real Estate Regulation, RD No. M/15 dated 17/4/1421H (19 July 2000), corporations and foreign individuals who are not GCC members are allowed to own real estate in the KSA if they meet the following requirements

1. Real estate ownership is prohibited in Mecca and Medina, which are the two holy cities.
2. Foreign citizens of the KSA may own property only as a primary residence if they acquire proper permits from the KSA's Ministry of Interior.
3. Foreign businesses licensed to operate in the KSA are permitted to own real estate for both company and employee housing.
4. Foreign businesses are permitted to invest in and develop real estate as long as the project is completed within five years of the land being purchased and has a development value of more than SAR 30 million.
5. Land for official buildings and staff housing may be owned by foreign diplomatic missions, depending on reciprocity.
6. The Ministry of Foreign Affairs will authorise a few select unnamed regional and international organisations to own land.[10]

### *5.3. Investment Structures in the Kingdom of Saudi Arabia (KSA) That Can Invest in Its Real Estate Industry*

In most cases, a foreign or domestic firm is the primary entity authorised to participate in the KSA's real estate sector. Foreign investors are allowed to own and invest in real estate under the Foreign Ownership of Real Estate Regulation, implemented by RD No. M/15 dated 17/04/1421H, as long as they secure a foreign investment licence from the Saudi Arabian General Investment Authority (SAGIA).

To obtain title to real estate in the KSA, whether it is freehold or leasehold, a foreign company typically needs to establish a locally-registered Saudi Arabian corporation that its foreign shareholders can fully own.

Foreign nationals are permitted to own real estate in the KSA as long as they have a valid permit issued by the Ministry of the Interior and are considered regular legal residents.[11]

## 6. COMPARATIVE ANALYSIS OF THE REAL ESTATE INDUSTRIES OF THE KINGDOM OF SAUDI ARABIA (KSA) AND THE UNITED KINGDOM (UK)

1. **Ownership:** Both the UK and the KSA permit citizens, foreigners, and domestic and international corporations to possess real estate for either commercial or residential purposes. However, Mecca and Medina are limited to Saudi citizens, as they are holy cities.
2. **Real Estate Investment Trusts (REITs):** A REIT is a firm that owns, operates, or funds income-producing real estate. It invests in different properties, such as apartment complexes, data centres, cell towers, medical centres, offices, hotels, retail centres, and warehouses. In comparison to other investment types, REITs buy and develop real estate as a component of their portfolio without planning to resell it. To expand the real estate market's investment base, the CMA issued new rules in 2016 that allowed the development of real estate investment traded funds on the Saudi Stock Exchange (Tadawul). These rules address REIT ownership, management, and operations. Real Estate Investment Trusts (REITs) were also introduced in the UK under the Finance Act 2006, with revisions made until 2023.[12]
3. **Legal Framework:** Real estate operations are governed by strong legal frameworks in the UK and the KSA. The primary difference is that *Shari'ah* can significantly affect the KSA's legislation.[13]
4. **Commitment to Corporate Governance:** Both the KSA and the UK are dedicated to following global best corporate governance practices. In 2006, the KSA's Corporate Governance Regulations were released by the CMA.[14] The Financial Reporting Council (FRC) in the UK

[9] *Real Estate Law | Saudi Arabia | Global Corporate Real Estate Guide | Baker McKenzie Resource Hub*. (n.d.). https://resourcehub.bakermckenzie.com/en/resources/global-corporate-real-estate-guide/europe-middle-east-and-africa/saudi-arabia/topics/real-estate-law

[10] Ibid.

[11] Al Tamimi & Company. (2020, July 5). *Saudi Vision 2030 and Real Estate Investment | REITs Saudi Arabia | Al Tamimi & Company*. https://www.tamimi.com/law-update-articles/real-estate-ownership-and-investment-in-saudi-arabia/

[12] Scott, J., Negm, M., & Khoda Baksh, M. (n.d.). *Overview of Saudi Real Estate Laws and Practice*. Al-Tamimi & Co. https://www.tamimi.com/pdflawupdate/?pageID=7469

[13] Scott, J., Negm, M., & Khoda Baksh, M. (n.d.). *Overview of Saudi Real Estate Laws and Practice*. Al-Tamimi & Co. https://www.tamimi.com/pdflawupdate/?pageID=7469

[14] Lessambo, F. I. (2014). Corporate Governance in Saudi Arabia. In: The International Corporate Governance System. Global Financial Markets series. Palgrave Macmillan, London. https://doi.org/10.1057/9781137360014_12

published the Corporate Governance Code in 2018, which offers the best guidelines and practices to guarantee company supervision, ethical behaviour, and responsible decision-making to improve corporate governance among the publicly traded organisations.[15]

5. **Investor Protection Mechanisms:** Investors usually acquire rights that are safeguarded by regulations and laws while financing businesses. These rights include primary data offered by the disclosure and accounting rules, as well as protected shareholder rights like pro-rata dividend payments, attending shareholder meetings, voting for directors, subscribing to new securities issues on the same terms as insiders, suing directors or the majority for alleged expropriation, and calling extraordinary shareholder meetings.[16]
6. **Taxation:** All real estate transactions are now liable to a Real Estate Transaction Tax (RETT) since 4 October 2020. The law contains exemptions, such as the government paying the tax on the first SAR 1 million of the initial property purchase price for Saudi nationals. An RD was used to enact this tax on 1 October 2020.[17] Property owners in the UK, on the other hand, are liable to additional taxes and fees associated with real estate ownership, such as council tax, ground rent, and stamp duty land tax, even if they do not pay property taxes per se.[18]

***Table 1: Table Caption.***

| S/N | Similarity/Differences | The UK | The KSA |
|---|---|---|---|
| 1. | Ownership | Allows nationals, foreigners, domestic and foreign corporations to own property, whether for residential purposes or for commercial purposes. | The cities of Mecca and Medina are restricted to Saudi nationals only. |
| 2. | REITs | Allows the operation of REITs. | Allows the operation of REITs. |
| 3. | Legal Framework | Has a robust legal framework guiding the operations of the real estate industry. | Has a robust legal framework guiding the operations of the real estate industry. |
| 4. | Commitment to Corporate Governance | Committed to the international best practices on corporate governance. | Committed to the international best practices on corporate governance. |
| 5. | Investor Protection Mechanisms | There are investor protection mechanisms in place. | There are investor protection mechanisms in place. |
| 6. | Taxation | There is no property tax, but owners are required to pay stamp duty, ground rent, council tax, etc. | All real estate transactions that take place after 4 October 2020 will be subject to RETT, although certain exemptions are provided for in the legislation (e.g., the government will bear the tax due on the first SAR 1 million of the purchase value of Saudi nationals' first home. |

## 7. CONCLUSION

The KSA and the UK's real estate markets are significantly influenced by the legal frameworks of corporate governance. In this comparative study, the researchers have presented the different regulatory frameworks, ownership and finance structures, and investor protection measures employed in both countries.

The results highlight the relevance of good company governance in influencing the real estate market and attracting both international and domestic capital.

The legal system in the KSA has undergone a gradual change with regards to attracting foreign investors and boosting investor trust, while the legal system in the UK offers a more conducive atmosphere for foreign investment and ensures higher transparency.

Investors and other stakeholders can then make wise decisions and support the expansion of the real estate industries in the UK and the KSA by

[15] Miller, N. (2023, October 8). *The Corporate Governance Code - United Kingdom*. Corporate Finance Institute. https://corporatefinanceinstitute.com/resources/esg/uk-corporate-governance-code-ukcgc/

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comprehending and assessing their legislative frameworks.

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