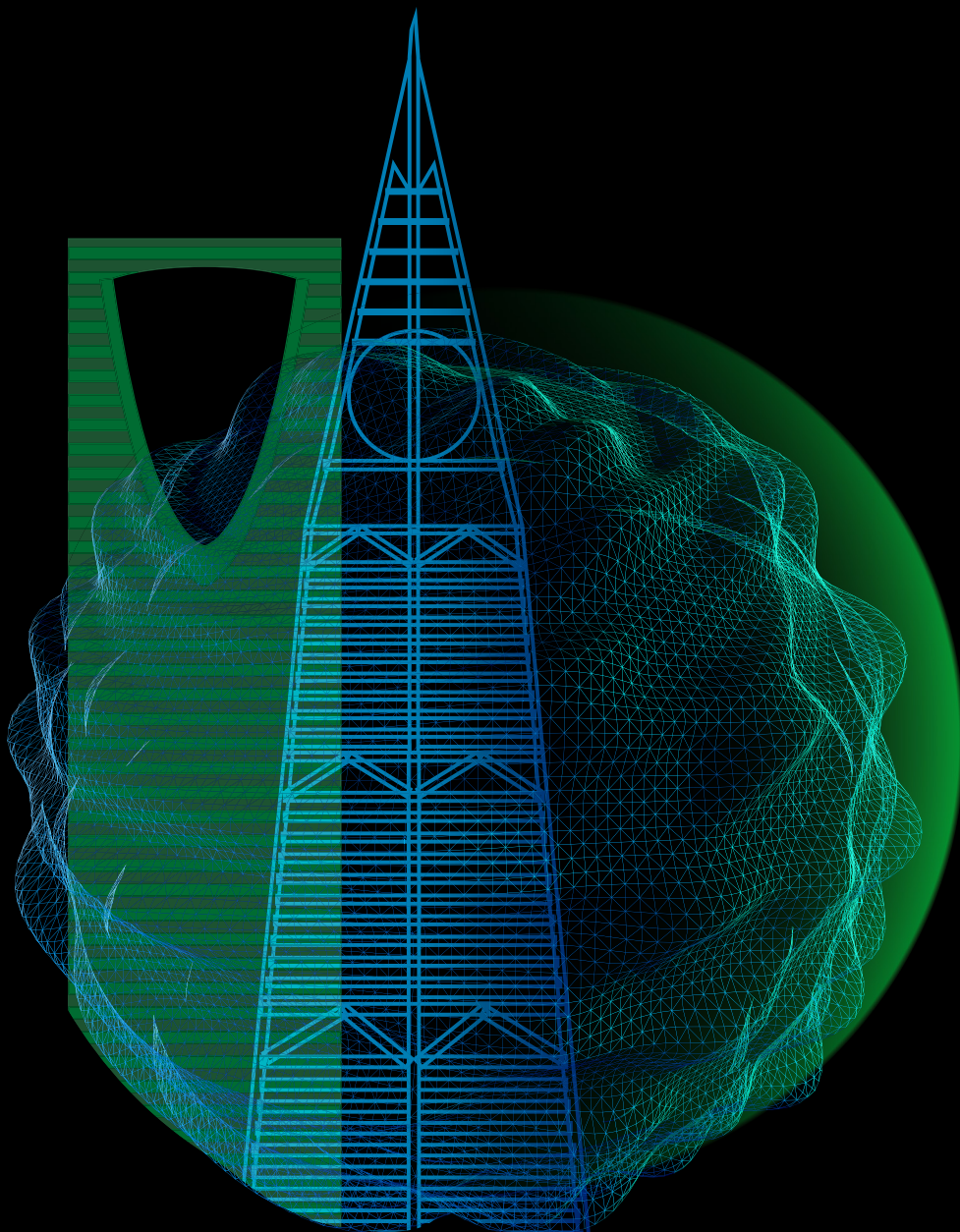


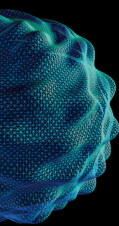
Deloitte.

KSA business 101

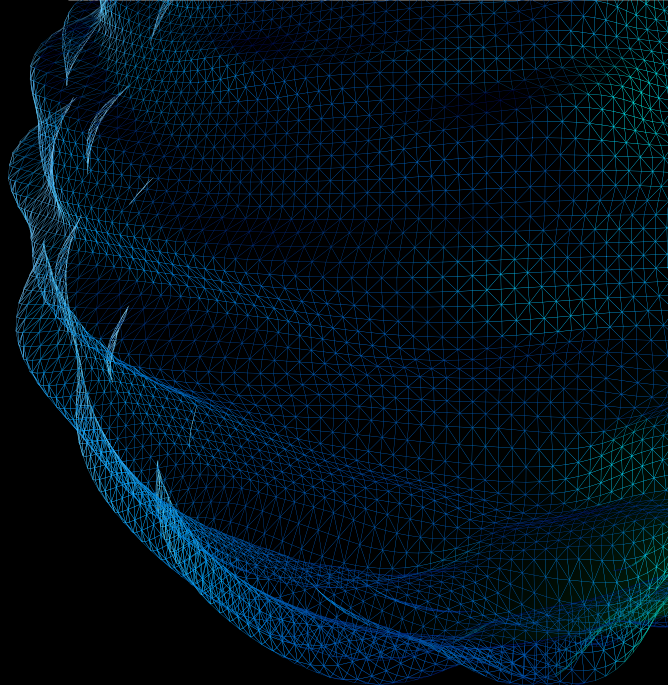
The ultimate tax guide
for foreign investors



May 2026



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About the Kingdom of Saudi Arabia

Situated at the heart of the Arabian Peninsula, the Kingdom of Saudi Arabia (KSA) has become one of the world's most dynamic investment destinations. While historically recognized as the world's leading oil exporter, Saudi Arabia is now charting a bold new course, one defined by innovation, diversification, and transformation.

Under its ambitious Vision 2030 agenda, led by Crown Prince Mohammed bin Salman, the Kingdom is undergoing a sweeping economic and social transformation. New sectors, from tourism and technology to renewable energy and entertainment, are rapidly taking shape, fueled by major giga-projects such as NEOM, The Red Sea Project, Qiddiya, Diriyah Gate, and New Murabba. These initiatives are redefining the country's economic landscape and creating entirely new markets and industries.

As Vision 2030 enters its third and final phase in 2026, the focus is shifting toward long-term sustainability, consolidating gains, expanding opportunity, and investing in education, innovation, and human capital. This phase is also marked by a gradual recalibration of some giga-projects and a stronger emphasis on high-impact digital infrastructure, AI, and data-center

investments to underpin productivity-led growth.

Momentum continues to build across the economy. Non-oil activity remains robust, with non-oil real GDP growth outpacing overall growth and the outlook improving as earlier oil production cuts are eased. Non-oil revenues have risen sharply, the private sector plays a significantly expanded role, and female workforce participation has exceeded original national targets, prompting the government to set more ambitious goals. Unemployment has fallen to historically low levels, with the Kingdom surpassing its original Vision 2030 employment targets ahead of schedule.

Saudi Arabia is also gaining global prominence as the host of landmark international events. Major commitments such as Expo 2030 in Riyadh and the 2034 FIFA World Cup are accelerating infrastructure development, elevating global visibility, and opening new avenues for investment across sectors including hospitality, urban development, logistics, and technology. The Expo 2030 site alone is expected to contribute substantially to GDP and large-scale job creation, with over 40 million visits anticipated across its six-month run.

From a tax perspective, Saudi Arabia

offers a distinctive environment. There is no personal income tax, and Saudi/GCC-owned businesses pay Zakat rather than corporate tax. Foreign investors are subject to a 20% corporate income tax rate, with VAT at 15%. The tax landscape is evolving rapidly: ZATCA has rolled out mandatory e-invoicing across virtually all VAT-registered businesses, significantly tightened transfer pricing enforcement, and introduced major amendments to the VAT regulations in 2025. Incentive programs, including favorable rates in Special Economic Zones and zero-tax benefits under the Regional Headquarters program, continue to attract multinational presence. Notably, while other GCC states have moved to implement the OECD Pillar Two global minimum tax, Saudi Arabia has not yet announced its position, a development investors and advisors are watching closely.

With pro-business reforms, a modernizing regulatory environment, and a strategic location linking three continents, Saudi Arabia offers a compelling platform for global investors. With growing opportunity across high-priority sectors, the Kingdom is poised to become a leading global center for innovation, trade, and long-term growth.



This guide provides foreign investors with a comprehensive overview of the opportunities and operating environment in KSA—from legal and regulatory considerations to tax, labor, and immigration frameworks—equipping them to navigate and succeed in this evolving market.

Metric	Value
Population	~35 million
GDP	~USD 1.27 trillion
Real GDP growth	~4.5% (2025 est.)
Non-oil real GDP growth	~4–5%
Inflation	~2.0–2.2%
Labor force	~18.5 million
Key Industries	<ul style="list-style-type: none"> - Oil and gas (declining share) - Petrochemicals - Renewable energy - Construction and infrastructure - Technology and digital services - Tourism and hospitality - Entertainment and sports - Logistics and transport - Advanced manufacturing - Health and life sciences - Financial services - Education and training - Smart infrastructure, AI, data centers and cloud services

Sources: IMF World Economic Outlook (Oct 2025), GASTAT, ZATCA. Figures are latest available estimates.



Market overview

- Saudi Arabia is an oil-based economy with the largest proven crude oil reserves in the world. According to OPEC, Saudi Arabia is also the largest exporter of petroleum and possesses around 17 percent of the world's total proven petroleum reserves.
- Saudi Arabia has sought to diversify its revenue base to protect itself from oil price fluctuations.
- The non-oil sectors, especially construction, real estate, healthcare and education, still offer business opportunities although most businesses are currently more conservative in their plans compared to the past.
- Saudi Arabia holds membership of several councils and international organizations, such as:
 - United Nations (UN)
 - World Trade Organization (WTO)
 - Organization of Petroleum Exporting Countries (OPEC)
 - Gulf Cooperation Council (GCC)
 - Arab League
 - Organization of Islamic Cooperation (OIC)
 - G20
 - BRICS

Government

- Saudi Arabia is a Kingdom based on Islam. The government is headed by the King, who is also the commander in chief of the military. On January 23, 2015, King Salman Bin Abdul-Aziz Al Saud was declared as the King and Supreme Leader of the country following the death of the late King Abdullah Bin Abdul-Aziz Al Saud.
- The King governs with the help of the Council of Ministers, also called the Cabinet. There are 23 government ministries that are part of the Cabinet. Each ministry specializes in a different part of the government, such as foreign affairs, education and finance.
- As Saudi Arabia is an Islamic state, its judicial system is based on Islamic law (Shari'a). The King acts as the final court of appeal and can issue pardons. There are also courts in the Kingdom. The largest are the Shari'a courts, which hear most cases in the Saudi legal system.
- In recent years, conscious efforts have been made by the government to reduce bureaucracy at all levels and transform government departments by introducing

Government	
Chief of State	Crown Prince Mohammed bin Salman Al Saud
Head of Government	Crown Prince Mohammed bin Salman Al Saud
Legal system	Islamic (Shari'a) legal system with some elements of Egyptian, French, and customary law; note - several secular codes have been introduced; commercial disputes are handled by special committees.
Administrative divisions	13 provinces (mintaqat, singular - mintaqah); Al Bahah, Al Hudud ash Shamaliyah (Northern Border), Al Jawf, Al Madinah (Medina), Al Qasim, Ar Riyad (Riyadh), Ash Sharqiyah (Eastern), 'Asir, Ha'il, Jazan, Makkah (Mecca), Najran, Tabuk.

Source: Central Intelligence Agency Factbook, the Economist Intelligence Unit

- The King is also advised by a legislative body called the Consultative Council (Majlis Al-Shura). The Council proposes new laws and amends existing ones. The Council members are appointed by the King for four-year terms that can be renewed. On 27 September 2022, Mohammed Bin Salman was appointed as Prime Minister of Saudi Arabia by King Salman Bin Abdul-Aziz Al Saud.
- The country is divided into 13 provinces, with a governor and deputy governor in each one. Each province has its own council that advises the governor and deals with the development of the province.

"
The country is divided into 13 provinces, with a governor and deputy governor in each one.
"

online services and increasing automation in several ministries.

- King Salman chairs the Saudi Supreme Economic Council, which is in charge of overseeing the formulation of economic policy and encouraging foreign investment.

Industries of opportunity

- Real estate, hospitality and construction are the key industries in terms of opportunities in Saudi Arabia. A growing population, increasing urbanization, inflow of religious tourism, ease of doing business, and a focus on economic diversification have all paved the way for increased investment potential in the country.
- The government plans to construct multiple schools and hospitals in the Kingdom in the next 5 years. Moreover, the government is also focusing on developing economic cities, industrial hubs and healthcare facilities that offer investment and business opportunities.

Economy – overview

- The economy of Saudi Arabia is primarily dependent on revenues from the oil and gas sector.
- In order to reduce its reliance on the oil and gas sector, the government aims to diversify its economy by continuously utilizing the revenues from the oil and gas sector to support the growth of non-oil sectors, such as infrastructure, construction, education, tourism and manufacturing.
- Saudi Arabia is also working on improving the business climate and increasing access to finance, especially for small and medium enterprises.
- The construction of “economic cities” is central to development plans. The government has launched projects to establish new cities at different locations across the country. These cities are planned as hubs for petrochemicals, mining and logistics industries as well as for a knowledge-based economy.

Vision 2030

The Council of Ministers has approved Vision 2030, and the salient features are as follows:

- To raise the non-profit sector’s contribution to GDP from less than 1% to 5%.
- To increase household savings from 6% to 10% of total household income.
- To raise ranking on the E-Government Survey Index to be among the top 5 nations.
- To raise ranking in the Government Effectiveness Index, from 80 to 20.
- To increase non-oil government revenue from SAR 163 billion to SAR 1 trillion.
- To raise the share of non-oil exports in non-oil GDP from 16% to 50%.
- To raise global ranking in the Logistics Performance Index from 49 to 25 and

Saudi Arabia is also working on improving the business climate and increasing access to finance, especially for small and medium enterprises.

ensure the Kingdom is a regional leader.

- To increase the private sector's contribution from 40% to 65% of GDP.
- To increase foreign direct investment from 3.8% to the international level of 5.7% of GDP.
- To rise from the current position to the top 10 countries on the Global Competitiveness Index.
- To increase the Public Investment Fund's assets, from SAR 600 billion to over SAR 7 trillion.
- To increase the localization of oil and gas sectors from 40% to 75%.
- To move from the current position as the 19th largest economy in the world into the top 15.
- To increase women's participation in the workforce from 22% to 30%.
- To increase SME contribution to GDP from 20% to 35%.
- To lower the rate of unemployment from 11.6% to 7%.
- To have three Saudi cities be recognized in the top-ranked 100 cities in the world.

NEOM

- In 2017, Prince Mohammed bin Salman first unveiled NEOM, KSA's flagship business and tourism development. Located on the Red Sea coast, NEOM is a central project in the 2030 Vision outlining the Kingdom's plans to diversify the economy.
- NEOM is a Vision of what a New Future might look like (in fact, NEOM means, “new future”). It is an attempt to do something that has never been done before and it is coming at a time when the world needs fresh thinking and new solutions.
- The NEOM project is set to transform the Kingdom into a leading global innovation and trade hub through the introduction of value chains of traditional and future industries and technologies to stimulate local industries, private sector job creation and GDP growth. NEOM will be backed by more than \$500 billion over the coming years by the Public Investment Fund (PIF) of Saudi Arabia, as well as local and international investors.
- It will be the home and workplace for more than a million citizens from around the world. It will include towns and cities, ports and enterprise zones, research centers, sports and entertainment venues and tourist destinations.
- NEOM offers unique opportunities and advantages to leading investors and business owners worldwide. It will enable them to gain direct access to both Saudi and global markets, given its unique geographic location linking three continents.



Entering the market

“
The official language is Arabic, therefore all documents are first required to be translated into Arabic by an official translator
”

Doing business in Saudi Arabia

Official language

The official language is Arabic, therefore all documents are first required to be translated into Arabic by an official translator and thereafter submitted to the relevant government authority.

Procedures for setting up a business

The procedures for setting up a business are as follows:

- Obtain the investment license from the Ministry of Investment (MISA).
- Open a bank account with a local bank in KSA for depositing the initial capital.

- Obtain a commercial registration (CR) from the Ministry of Commerce and Industry (MOCI).
- Register with the Chamber of Commerce.
- Register with the Customs department.
- Obtain a municipality license.
- Register with the Ministry of Labor.
- Register with the General Organization for Social Insurance (GOSI).
- Register with the Zakat, Tax and Customs Authority (ZATCA).



Procedures for starting a business in Saudi Arabia

The KSA Ministry of Commerce and Investment has reduced the procedures for starting a business as part of the 2020 National Transformation Program and the Kingdom's 2030 Vision. Investors who are interested in starting a business in KSA must follow the four steps listed below:

1. Send their corporate founding contract electronically to the Notary Public (no human involvement is required). This excludes joint-stock companies.
2. Authentication of the corporate founding contract which will be affected by the Notary Public, without prior appointment, or by one of the authorized authenticators. Settle the payment for the full bill (Commercial Registration, Chamber of Commerce subscription and the cost of electronic publishing of the contract) on the SADAD e-payment System. Subsequently, the electronic C.R., Chamber of Commerce subscription, file opening with the Ministry of Labor and Zakat and the registration in the General Authority for Zakat and Income will all be done and completed through one step only on a consolidated e-portal, without any human intervention. Finally, the corporate contract will be published in "Amali" e-newspaper.
3. An instant electronic license will be issued through an e-portal called "Baladi", which belongs to the Ministry of Municipal and Rural Affairs. The registration in the national post (Wasil) will then automatically be completed.

Electronic services can be accessed on the business e-portal, which can be easily accessed on the following link: com.cr.sa.

Any non-resident who intends to set up a branch or an Limited Liability Company (LLC) in KSA is required to obtain the investment license from the Ministry of Investment

of Saudi Arabia (MISA) before starting the above procedures. Given that all the required documents should be translated into Arabic language for filing with the authorities, it may take approximately 3 to 4 months to obtain the commercial registration (CR) from the Ministry of Commerce and Industry.



Foreign investment incentives and restrictions

In April 2000, the Supreme Economic Council enacted the Foreign Investment Act (FIA), which is a broad framework within which non-Saudis are permitted to invest in the Kingdom in minority, majority or 100%-foreign-owned ventures. In February 2001, Saudi Arabia's Supreme Economic Council approved a "negative list" of economic sectors barred to majority foreign-owned firms, thus clarifying the issue of where in the economy foreigners may invest. The list was published as secondary legislation to the FIA and was earmarked for annual revision. It is also, in the words of the government, to be interpreted "flexibly". By default, those sectors not included on the list should be regarded as legally open to majority foreign-owned companies.

In August 2002, a new, shorter list consisting of 15 areas of the economy restricted from foreign investment replaced the original negative list of 22 areas. The present negative list includes oil exploration, drilling and production; real estate brokerage; and land and air transport. Foreign investment is now officially permitted in insurance, power transmission and distribution, education and pipelines.

The FIA aims to provide equal treatment for non-Saudi firms, stating in Article 5 of the Implementing Regulations for the Foreign Investment Law that a foreign venture "shall enjoy all the benefits, incentives and guarantees enjoyed by a national project". The FIA includes guarantees on the free repatriation of profits and capital, and it provides a clause that foreign-owned assets may be expropriated only in exceptional circumstances, in return for full compensation. It offers the right to buy property and allows ventures to sponsor their own employees (previously denied to 100%-foreign-owned ventures).

The FIA established MISA, an entity with sole responsibility for approving foreign investment projects. This includes a mandate to regulate the investments made by foreign entities to ensure consistency with national interests. MISA also has responsibility for developing more detailed legislation to flesh out the framework established by the FIA. However, MISA's primary goal is to facilitate and encourage investment (both local and foreign) wherever possible.

MISA's Investors Service Center (ISC) (www.misa.gov.sa/en/) serves as a one-stop shop to facilitate the investment process for foreign companies, minimizing the number of bureaucratic steps required before investment can take place. The ISC comprises three divisions, each focused on particular steps in the investment process:

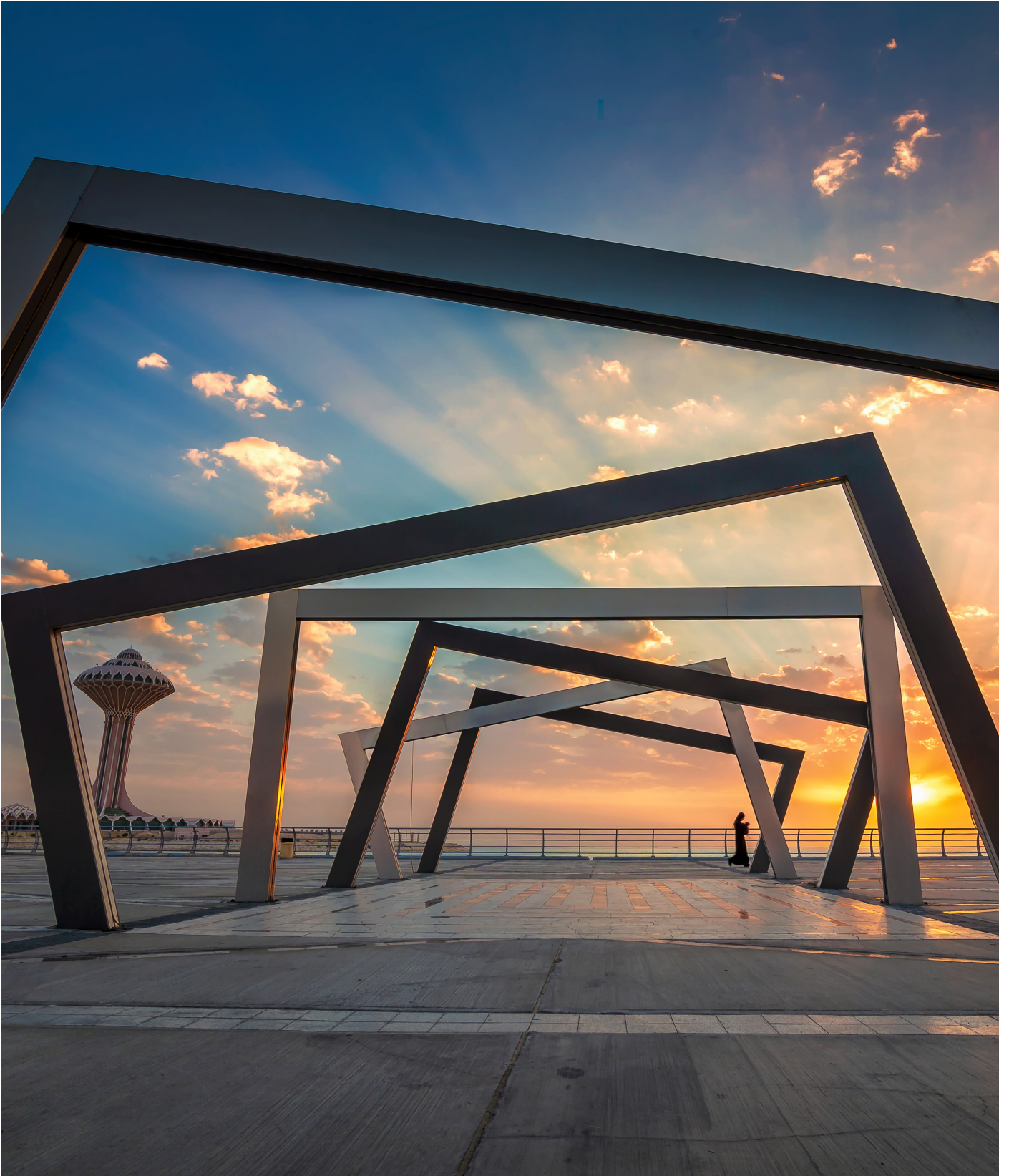
- **The Investors Service Unit** – ensures that initial approval forms are completed and that documentation is handled properly.
- **The License Follow-up Unit** – rechecks investment applications, notifies the investor of any omissions, collects the appropriate application fees and then registers the new venture.
- **The Government Relations Unit** – helps investors to establish contacts with other government agencies to eliminate obstacles hindering the licensing of a project. Nine ministries are represented at the ISC.

The government has courted foreign companies willing to invest in the petrochemicals business (which is not included on the negative list), especially around the industrial cities of Jubail and Yanbu. The substantial incentives it has

" MISA's primary goal is to facilitate and encourage investment (both local and foreign). "

made available have already attracted a number of firms to the sector. However, the foreign investors that have been most successful in petrochemicals have typically been those seeking joint ventures with Saudi Arabian Basic Industries Corporation (SABIC), the majority-state-owned industrial giant. The government has looked most favorably on joint ventures

with Saudi partners in other sectors as well. Prior to the passage of the FIA, operations that were 100%-foreign-owned could not gain access to the same tax treatment, funding and other incentives available to joint ventures. Fully foreign-owned companies still remain the exception rather than the norm.



There is a series of labor regulations that require foreign companies operating in the Kingdom to employ and train Saudi nationals.

Economic Cities and Special Zone Authority has introduced Special Economic Zones (SEZ) that are designed to accelerate the investment in various sectors within KSA. These zones comprise of:

- King Abdullah Economic City (KAEC) SEZ
- Ras Al-Khair SEZ
- Jazan SEC

Entities established in these zones would be entitled to certain tax and non-tax incentives which are listed as follows:

- CIT: 5% for up to 20 years.
- WHT: 0% on dividend payments to non-residents.
- Custom duty: 0% inside SEZ.
- VAT: 0% for goods exchanged within the zone and between the zones.

Tax rules for Special Integrated Logistics Zone (SILZ) issued by the General Authority of Civil Aviation (GACA)

The Zone is located adjacent to the Riyadh international airport that offers certain incentives for prescribed activities to entities operating in the Zone.

The following incentives are offered to the Zone entities:

- 50 years tax holiday; including VAT and customs suspension.
- No requirement to withhold tax from payments to non-residents subject to certain conditions.
- 100% foreign ownership is allowed.
- 100% suspension of customs and import restrictions.
- No restrictions on capital repatriation
- Non-residents undertaking activities in the Zone would not create taxable presence (permanent establishment) in KSA.

There is a series of labor regulations that require foreign companies operating in the Kingdom to employ and train Saudi nationals. All investment schemes must show that they meet requirements on employing and training Saudi nationals. After the commencement of the project, depending upon the nature of its work, an entity should, on a continuing basis, maintain its Saudization ratio; a failure to do so may lead to problems with authorities in renewals. Labor-intensive projects receive preferential treatment since the government seeks to combat rising local unemployment. Priority is given to high-technology projects which offer significant skills transfer. These requirements have been in place for some time but are being enforced with increasing rigor, and the licensing process offers officials a good opportunity to ensure that standards are being met.

100% foreign ownership is now allowed in trading activity on a case-by-case basis.

Tax incentives

The government has granted 10-year tax concessions to six underdeveloped provinces in the Kingdom, with the intention of attracting more investment on the start of any project. Investors will be granted a tax credit against the annual tax payable in respect of certain costs incurred on Saudi employees.

The tax credits will be offered in the following regions:

- Ha'il
- Jazan
- Najran
- Al-Baha
- Al-Jouf
- Northern territory

Cloud Computing SEZ

In early 2019 the ZATCA published a draft Special Economic Cloud Zone Law for general comments. The purpose of this law is to make Saudi Arabia a hub for new digital services, including cloud computing, through attracting investments in informational technology and digital-based services and cloud computing services and related activity by offering tax and non-tax based incentives to prospective investors.

As per the announcement, special tax treatment will be applied for Cloud Computing SEZ in line with OECD principles to avoid double taxation. However, the law has not been formally introduced as yet.

Financial incentives

- The ability to carry forward tax losses on balance sheets indefinitely (subject to change of ownership and performing same activity rules).

- Foreign investors have access to generous regional and international financial programs, including:

- **Arab Fund for Economic and Social Development (AFESD)** - participates in financing economic and social development projects in Arab countries.
- **Arab Monetary Fund** - promotes the development of Arab financial markets and trade among member states; advises member states on investment of resources.
- **Arab Trade Financing Program** - provides medium and long-term loans to individuals and organizations for private and commercial trade.
- **Inter-Arab Investment Guarantee Corporation** - provides insurance coverage for inter-Arab investments and export credits against commercial and non-commercial risks.
- **Islamic Development Bank (IsDB)** - participates in equity capital and grants loans for productive projects and enterprises. It accepts deposits to mobilize financial resources through Shari'a-compatible avenues.
- **Saudi Industrial Development Fund (SIDF)** - aims to support industrial and economic development in KSA with relevant strategies.

Exchange controls

There are no significant restrictions on the inward or outward movement of funds by companies. Transfer operations are increasingly sophisticated and rapid, although occasional constraints on working hours or working days may cause a delay of one or two days in implementing orders.

Although there are no restrictions, the Saudi Arabian Monetary Authority (SAMA – the central bank) closely monitors foreign exchange transactions to deter speculation, fraud and money-laundering. Banks must report the export of riyal bank notes to SAMA and gain approval prior to the participation of foreign banks in riyal-

denominated syndicated loans or foreign-currency syndicated transactions arranged for non-residents. SAMA has shown considerable flexibility in its approach to such arrangements, however, and has co-operated speedily with the vast majority of transactions.

“ Saudi Arabian Monetary Authority (SAMA – the central bank) closely monitors foreign exchange transactions to deter speculation, fraud and money-laundering. ”

Choice of business entity and setting up a company

Principal business entities

Limited liability company (LLC), joint stock company (JSC) and branch of a foreign entity.

Types of licenses, minimum capital requirements and percentage of Saudi partnership

No.	License type	Minimum capital (SAR)	Minimum Saudi participation (%)
01	Commercial with Saudi partner	26,666,667 Foreign capital shareholding not less than SAR 20,000,000 and partnership not more than 75%.	25%
	100% Foreign commercial	30,000,000	-
02	Communications	-	40%
03	Communications value added	-	30%
04	Insurance	-	40%
05	Reinsurance	-	40%
06	Property financing	-	40%
07	Property investment	The value of each project is not less than SAR 30,000,000 (covering land and construction); the land and building will be outside the perimeter of the two holy mosques	-
08	Management of construction projects, detailed engineering design and EPC contracts	-	25%
09	Public transport (bus transportation within cities)	500,000	30%
10	Public transport (metro transportation within cities)	500,000	20%
11	Joint stock company	500,000	-
12	Practice other transport activities	10,000,000	-

*Related to the limit of the cost of a single project to be constructed. There is no minimum limit for the capital of property development projects.

Source: misa.gov.sa/media/1100/misa-investment-manual-7th-edition-jan-2019-final.pdf

Restrictions on licenses

No.	Activity	Restrictions
01	Trading licenses (With a Saudi partner)	<ul style="list-style-type: none"> • Train 30% of Saudis • Not to open more than one shop per district
02	Industrial licenses	<ul style="list-style-type: none"> • The licensee must apply to the Ministry of Industry and Mineral Resources to obtain an industrial license along with the General Presidency of Meteorology and Environmental Protection to acquire environmental approval
03	Scientific and technical office	<ul style="list-style-type: none"> • The office may study the markets regarding the activity type of the company and prepare reports on any such study for the headquarters. The office shall submit to the Ministry of Investment annual summary on its activity • Office may not implement any contracts nor carry out any commercial or investment activity directly or indirectly in the Kingdom nor may it charge any fees for training the Saudi technicians • The company shall comply with all regulations and instructions applicable in the Kingdom of Saudi Arabia and this license will be withdrawn if the company has breached its terms and the relevant official entities will be so notified • The Ministry of Investment has the right to terminate or not renew the license whenever it is deemed that the role of the office is outside the purpose for which it is authorized
04	Consulting license for technical & economic communication offices	<ul style="list-style-type: none"> • The office may study markets and prepare reports of this study for concerned bodies in the countries that want to have a license. The office shall submit an annual summary of its businesses to the Ministry of Investment • The office is prohibited to execute any contracts, businesses, or investments in the Kingdom, directly or indirectly • The Ministry of Investment has the right to revoke the license or not to renew it whenever it deems that the office's role is beyond the authorized purpose
05	Activities of holding companies	<ul style="list-style-type: none"> • Obtaining the prior approval of the Ministry of Investment for each project to be established and any investment in it.
06	Real estate license	<ul style="list-style-type: none"> • Obtaining the prior approval of the Ministry of Investment on any property to be owned or invested in so that the cost of any project is not less than 30 million riyals for the land and building, provided that they are not within the boundaries of the cities of Mecca or Medina
07	General restrictions and conditions to be followed by the investor after receiving the license	<p>The License Applicant(s) / Entity shall be committed to the following:</p> <ul style="list-style-type: none"> • Obtaining the required post- Ministry of Investment license's governmental documents within 3 months of issuance of the Ministry of Investment license and obtaining the necessary documents or licenses from related government agencies - where required- before or after obtaining a Ministry of Investment license and the Ministry of Investment should be notified by the investor if difficulties are faced in doing so not less than 3 months from the project's scheduled start of operation. • Operating within the licensed field/ industry. • Implementing the project within the timeframe indicated in the application and within the licensed location or branch. • Using the licensed name - as per the Ministry of Investment and investment license in all government documents. • Renewing the Ministry of Investment license annually on time. • Receiving the Ministry of Investment follow-up officers, cooperating with them and furnishing all required documents and proof requested during the visit. • Not marketing or selling any non-licensed items inside the Kingdom of Saudi Arabia. • Respecting the intellectual property rights of others. • Taking all necessary measures to protect the environment. • Respecting all local laws and regulations issued by Saudi ministries/ agencies for the entity and its employees. • Notifying the Ministry of Investment of any change in contact address, P.O Box, email or phone and fax numbers within (10) working days of the change using Ministry of Investment designed forms no (13.01) from this manual. • Being aware of the Ministry's entitlement to licensing fees, and the financial compensation for subscription to the services of the Investor Relations

No,	Activity	Restrictions
07	General restrictions and conditions to be followed by the investor after receiving the license	<p>Centers, for the entire period required for the license, and the inability to claim a refund for it or part of it when the facility's activity stops or the license is canceled before the end of its term for any reason.</p> <p>The Investor(s) acknowledges and undertakes:</p> <ul style="list-style-type: none"> - To abide by all rules and regulation stated in the Foreign Investment Act issued under the Royal Decree No (M/1) dated (15/01/1421 H) and all of its corresponding Executive Rules and guarantee the authenticity of the documents, information and data presented herein with this application. - That the licensee shall be using the license issued by the Ministry of Investment only for the purpose for which the license issued. The Saudi Arabian Government and Ministry of Investment will not be held responsible towards any part for any acts of misconduct committed, directly or indirectly, by the licensee, whether inside or outside Saudi Arabia, in violation of any laws of Saudi Arabia or elsewhere. Furthermore, the Ministry of Investment reserves the right to revoke the license at any time if the licensee is convicted of any illegal acts or is deemed to pose a national threat. - That the purposes of this application is to obtain an investment license to start legitimate investment activity/activities. The investment license is revocable if at any time the data and information presented are found false or inaccurate. - That no final ruling/verdicts have been issued against the investor in violation of the Foreign Investment Act. - That no ruling/verdicts have been issued against the investor in monetary or commercial related violations whether inside or outside the Kingdom of Saudi Arabia. - That the investor(s) will transfer the capital declared in this application to a local bank once the investment license is issued. - That the investor(s) is not currently resident within the Kingdom of Saudi Arabia and that the investor(s) was not resident within the Kingdom of Saudi Arabia during the last 3 years. - That the applicant who has obtained the investment license shall use it for the licensed purposes and that the Saudi Government and the Ministry of Investment will not directly or indirectly assume any liability towards third parties whether inside or outside the Kingdom of Saudi Arabia for any non-statutory action - That the investor(s) have read and understood the above terms and conditions, commitments, obligations and undertakings and have agreed to them. - That the name(s) and signature(s) on this application belong to him/them or his/their legal representative and the signature of the letter is considered as his/theirs.

Source: <https://misa.gov.sa/media/1302/misa-service-manual-v3-8th-edition-en-v10.pdf>

New Saudi Company Law

The Saudi Ministry of Commerce introduced a new Company Law, effective 19 January 2023.

Some of the key changes are:

Limited Liability Companies (LLC):

- The ability for a LLC to be formed by one shareholder.

- If the losses of an LLC reach half of its capital, the company's managers are required to invite the shareholders to meet within sixty (60) days from the date of being aware of such losses to consider the continuation of the company and implement the required procedures to resolve the losses or to liquidate the company.

- LLCs may issue, in accordance with the Capital Markets Law, debt instruments or negotiable financing instruments (Sukuk) by resolution of the shareholders pursuant to the conditions set by a company's AoA.

- LLC may buy-back its shares or mortgage such shares if allowed under a company's AoA. Such shares shall not grant a right to vote in general assemblies.

- Company's AoA may include the following (subject to the approval of one or more shareholders representing 90% of a company's shares):

- The majority shareholders may oblige the minority shareholders to accept the offer of a purchaser to purchase the complete shares of a company at the same price, terms, and conditions for the purchase of majority shares; and

- The minority shareholders may obligate the majority shareholders to guarantee selling the minority shares at the same price, terms, and conditions for selling the majority shares.

- Increasing the period required for holding the annual meeting from four (4) to six (6) months from the end of the fiscal year.

Joint Stock Company JSC:

- The minimum share capital for JSCs (SAR 500,000).

- Reducing the minimum number of shareholders in JSCs to become one or more shareholder.

- The shareholders of listed companies to participate in annual general meetings and vote on the decisions via modern technology (i.e., no need for physical presence).

Simplified joint-stock company (New types of Companies under the new law) Main features of this company:

- There is no minimum capital requirement in its bylaws

- The possibility of issuing multiple types and categories of shares with varying rights, obligations and restrictions

- It may be managed by one or more director, a board of directors, or otherwise.

- The quorum of shareholders meetings and their decisions are determined in the company's bylaws.

- In a simplified joint stock company, there is no requirement for the existence of general assemblies because the shareholders are responsible for exercising these powers and have the right to determine who will be responsible for them.

For foreign companies:

- The auditor may be appointed by decision of the director of the foreign company's branch based on an authorization from the foreign company.

- The application to register a branch of a foreign company must include a statement stating the beginning and end of the branch's fiscal year

- The possibility of the continuation of the foreign company that has obtained a temporary license to carry out specific activities after meeting the necessary

regulatory requirements.

- The procedure for setting up a branch of a foreign company or LLC normally takes three to six months.

General:

- Enforcing the need for an audit committee to monitor the company's business.

- Prohibition on the role of the chairman of the board and any other executive role in a company being combined.

- The MOC is responsible for supervising and regulating matters relating to all types of companies under the new regulation, except for "listed companies" as these will be the speciality of the Capital Market Authority (CMA).

- The possibility of composing a family charter in the articles of association allows for the regulation of family ownership, management, work policies, and profit distribution. This, along with the encouragement for family companies to transform into joint stock companies, facilitates sustainability and governance, while also providing mechanisms like arbitration for dispute resolution and introducing restrictions on share disposal in company bylaws.

- Requirement for companies to value their in-kind share capital contribution by a certified valuer.

- The law recognizes various company structures, including:

- General Partnership
- Limited Partnership
- Joint Stock Company (JSC)
- Simplified JSC
- Limited Liability Companies (LLC)

- The procedure for setting up a branch of a foreign company or LLC normally takes three to six months.

Key differences between foreign branch, LLC and JSC

	Branch of foreign company	LLC	JSC
Minimum capital requirement	Normally SAR 500,000 (but can be lower or higher depending upon the nature of activity)	SAR 500,000	SAR 500,000 or SAR 5,000,000 (in case of single shareholder)
Minimum shareholder	Not applicable	One shareholder If the number of shareholders exceeds 50, the company has to be converted into a JSC within a year. If the company is not converted into a JSC, the LLC will be dissolved by operation of law with certain conditions.	Two shareholders Single shareholder is allowed with a minimum capital of SAR 5,000,000 and certain other conditions.
Losses exceed 50% of capital	In case of a foreign branch, the HO's liability may not be restricted to the extent of the branch's capital. If losses exceed 50% of capital, the shareholders must meet within 90 days and decide whether to dissolve or continue the business.	If losses exceed 50% of capital, the shareholders will not be held personally liable for company debts. Shareholders must meet within 90 days and decide whether to dissolve or continue the business and publish their decision. The company will be deemed to dissolve by operation of law if no decision is made.	If losses exceed 50% of capital, the shareholders will not be held personally liable for company debts. Shareholders, once aware, must meet within 45 days in an extraordinary general meeting and decide whether to dissolve or increase share capital. If the increase in share capital is not materialized, the company will be deemed to dissolve by operation of law.
Maintenance of statutory reserve	As indicated in the Article of Association of the company	As indicated in the Article of Association of the company	As indicated in the Article of Association of the company

Accounting principles/financial statements

- All the financial statements from 2018 are now prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants (SOCPA).
- The audited financial statements are required to be uploaded within four months from the end of the financial year on the MOCI's web portal.

Taxation in Saudi Arabia

Overview

- Like most other states in the GCC, Saudi Arabia levies corporate income tax on the non-resident's share in a resident

corporation; the share of Saudi and GCC nationals is subject only to a religious levy called Zakat, which is levied on net equity. If a company is a joint venture between a Saudi/GCC shareholder and a foreign shareholder, the portion of taxable income attributable to the foreign shareholder is subject to income tax and the Saudi shareholder's share of net equity is subject to Zakat.

- Corporate tax rates for foreign companies vary widely among GCC states. The Saudi cabinet approved a new tax law on 12 January 2004. The executive by-laws covering the new corporate tax law were published in August 2004. The tax regulations provide the income tax flat rate of 20%, effective for accounting years commencing on or after 30 July 2004. Investments in certain strategic

resources are still taxed at higher rates: 20% for gas and at rates ranging from 50% to 85% depending on the capital investments for taxpayers engaged in the production of oil and hydrocarbons materials. The tax structure offers some benefits to companies choosing to invest in LLCs or JSCs in Saudi Arabia. Such companies are free to establish branches throughout the Kingdom and only need to file one combined return, provided they are branches of only one legal entity. The ZATCA often scrutinizes the reported expenses and charges of a branch.

The general tax burden of a Saudi entity owned by foreign companies

- The share of taxable profit owned by the non-Saudi/non-GCC shareholder will be subject to 20% corporate income tax in addition to 5% withholding tax (WHT) applicable on the distribution of dividends to the non-resident (including non-resident GCC) shareholders. However, the share of Saudi/GCC will be subject to Zakat.

For financial years commencing on or after 1 January 2019, Zakat is assessed at 2.5% on the higher of the Zakat base (balance sheet basis) and the net adjusted profit of Zakat payers following the Hijri year.

For Zakat payers following the Gregorian year, the rate applicable to the Zakat base is 2.577683% (balance sheet basis). A simple calculation of the balance sheet basis includes the Saudi shareholder's share of equity plus long-term liabilities less fixed assets.

Summary of the Saudi Arabian income tax law 2004

The Saudi tax regulations came into effect from 30 July 2004, which has introduced certain new concepts and/or modified existing practices. The taxation system in the past was much less codified and a significant portion of the tax system had evolved over a number of years through various practices. However, the law is still subject to significant interpretation. The final treatment of any particular section of

the law will ultimately be dependent upon the practices developed by the ZATCA and how the particular appeals play out in the courts. The ZATCA will always lift the veil of incorporation to determine the nationality of the shareholders. They will go up the chain of ownership to the last level. In addition to corporate income tax and Zakat, WHT is levied on payment to non-residents from an "in-Kingdom source". WHT, on the other hand, ranges from 5% to 20%, depending on the nature of payment, place of performing services and relationship with the non-resident.

Residence

- The 2004 tax law also introduced the concept of residency for individuals and corporations, which is of particular importance in assessing liability to WHT.
- A natural person is considered resident if he has a permanent residence (defined) and is available in the Kingdom for a period that in total is not less than 30 consecutive/non-consecutive days in a tax year. Additionally, a natural person is considered resident if he resides in the Kingdom for a period not less than 183 consecutive/non-consecutive days in a tax year, even if he does not have a permanent residence.
- For a company, residency in a tax year is considered if the company is established in accordance with the companies' regulations or is headquartered in the Kingdom.

Related party

The tax law has introduced the concept of related party. Thus, currently for direct tax purposes companies, ownership or control of 50% or more by the same persons or related persons shall be considered to be companies under one common control. The related party definition in tax law is different from TP regulation.

The TP regulations in KSA have an extended related party definition, due to the introduction of effective control criteria. This is in addition to the ownership and common control criteria already present in the Income Tax law.

Source of income

There are extensive rules; however, in summary, income is considered to be realized in the Kingdom if it arises from an activity occurring in the Kingdom; if it is dividends or management fees and a manager's fee paid by a resident company; amounts paid by a resident for services rendered in the Kingdom either fully or partly; or an amount paid by a resident company to its head office or a related company for services rendered, etc. (the detailed list is included in the tax law).

Supply of goods

There is no WHT on payments made to non-residents for the import of goods. Income derived by a non-resident party from a contract for supply of goods from abroad is not considered as a Saudi-source income (i.e. not subject to tax in Saudi Arabia) unless it includes associated work in Saudi Arabia, such as transportation, installation, training or other similar work. In such a case, only associated work is considered to be derived from an activity performed in Saudi Arabia and is liable to tax.

In case of delivery of goods from abroad with "in-Kingdom associated work", where value is not separately specified in the contract for the "in-Kingdom associated work", income for each associated work shall be estimated at 10% of the total gross value of the contract for tax purposes.

" " " " " "

There is no WHT on payments made to non-residents for the import of goods.

" " " " " "



Income tax

<p>Tax rate 20% generally applicable, 20% for exploitation of natural gas and ranges 50% to 85% for production of oil and hydrocarbons materials depending on capital investment. As from 1 January 2020, a tax rate of 20% applies for five years on the tax base from oil and hydrocarbon downstream activities; however, the taxpayer must separate its downstream activities during the five year period or otherwise will be subject to tax based on capital investment amounts.</p>	<p>Thin capitalization There are no specific thin capitalization rules. However, there is a rule limiting the deductibility of interest expense to the lesser of the following:</p> <ul style="list-style-type: none"> • The actual interest expense (interest capitalized relating to capital assets is not to be considered); or • Interest income, plus 50% of taxable income (excluding interest income and interest expense). 	<p>Books and records All taxpayers (except non-residents who do not have a permanent establishment in the Kingdom) are required to keep the necessary books in the Kingdom in the Arabic language. They must at least include the following:</p> <ul style="list-style-type: none"> • Daily journal • General ledger • Inventory book <p>For computerized records, the Central computer should be located in the Kingdom. For taxpayers operating through a permanent establishment that has a central computer system abroad, the local terminal must be in the Kingdom to generate all statements, transactions, etc.</p>
<p>Levied on</p> <ul style="list-style-type: none"> • The resident corporation – on the share of the non-Saudi shareholders. • The resident, natural, non-Saudi person who conducts activities in the Kingdom. • The non-resident person who conducts activities in the Kingdom through a permanent enterprise. • The non-resident person that has other taxable income from an in-Kingdom source without having permanent establishment. 	<p>Tax losses Carry forward is allowed indefinitely. The maximum limit allowed to be deducted in each year must not exceed 25% of the annual taxable profit.</p> <p>Capital companies will be allowed to carry forward losses, irrespective of whether there has been a change in ownership or control, provided they continue to perform the same activity.</p>	<p>Assessment and appeal procedures Detailed guidelines have been laid out in the tax regulations. Following are the two appellate committees:</p> <ul style="list-style-type: none"> • Tax Violation and Dispute Resolution Committee (TVDRC) • Tax Violation and Dispute Appeal Committee (TVDAC)
<p>Holding Co regime</p> <ul style="list-style-type: none"> • The profits of a subsidiary remitted to its Saudi resident holding company will not be taxed, provided: <ul style="list-style-type: none"> (i) there is a minimum holding of 10%; and (ii) the investment is held for at least one year. 	<p>Currency translation No consideration is given to unrealized currency translation gains or losses arising from revaluation for tax purposes.</p>	<p>Alternative Dispute Resolution An independent Internal Settlement Committee (ISC) is formed in the ZATCA to assess open disputes between taxpayers and the ZATCA for both direct and Indirect taxes to reach an amicable settlement.</p>
<p>Income exempt from tax</p> <ul style="list-style-type: none"> • Capital gains realized from the disposal of financial instruments traded in the Kingdom's stock exchange acquired after implementation of the new tax law and gains resulting from the disposal of assets that are not part of the business activity. • Capital gains realized from the disposal of securities traded on a stock exchange outside the Kingdom provided the securities also are traded on the Saudi stock exchange (Tadawul), irrespective of whether the disposal occurred through a stock exchange or through any other means. • Cash or in-kind dividends received from investments made by a Saudi resident capital company in a Saudi resident or non-resident company provided the dividend recipient owns at least 10% of the investee company and for a period of at least one year. 	<p>Estimated taxes (deemed profit tax) ZATCA may assess the tax for activities associated with worldwide expenses on an estimated basis, when local expenses for practicing such activities are mixed with worldwide expenses and it is difficult to separate these expenses related to activity in the Kingdom accurately and hence it is impossible to submit actual accounts for the local activity.</p> <p>The minimum deemed profit rates on various activities range from 80% (for management fees) to 10% (for construction work contracts).</p>	<p>Accelerated tax payment Accelerated tax payment procedures have been introduced based on a formula. If the prior year's tax liability is SAR 2 million or more, the taxpayer is required to settle accelerated tax payments in 3 equal installments.</p>
<p>Allowable expenses Ordinary expenses necessary for the realization of taxable income. Expenses such as bad debt write-offs, interest deduction, depreciation expense repairs and maintenance, etc. are subject to certain rules.</p>	<p>Taxable year In general, the tax year is the state's fiscal year.</p> <p>A different year can be used in the following circumstances:</p> <ul style="list-style-type: none"> • If it is approved by the ZATCA prior to the effective date of law • If it is a Gregorian year • If the taxpayer is a member of a group of companies or a branch of a foreign company that uses a different financial year. 	<p>Non submittal and delay penalties Penalties for non-submittal of the tax return by the due date are the higher of 1% of the total revenues up to a maximum of SAR 20,000, or they range from 5% of the unsettled tax for a delay not exceeding 30 days to 25% of the unsettled tax if the delay exceeds 365 days.</p> <p>Penalties for delay in settlement amount to 1% of the unsettled tax for each 30 days of delay. This includes the delay in the WHT and accelerated tax payments. A financial penalty amounting to 25% will be imposed on the tax differences resulting from submitting incorrect information or fraud.</p>
	<p>Registration Each taxpayer must register his activity prior to the end of his first tax year, otherwise a penalty may be imposed ranging from SAR 1,000 to SAR 10,000, depending upon the classification of the taxpayer. It is now mandatory for all taxpayers to be registered on the ZATCA online portal and all filings with the ZATCA are required to be made through the online system.</p>	

WHT

The non-resident, on any amount received from any sources in the Kingdom, shall be subject to WHT deductible from the gross amount according to the following rates:

Nature of payment	WHT rate (%)
Management fee	20
Royalties	15
Payments against technical or consultancy services, or services for international telephone calls paid to the head office or any other related and unrelated entities	5
Dividends distributed	5
Rent, return on loans (interest) & insurance (including related parties)	5
Airline tickets/air or sea freight	5
Insurance & reinsurance premiums	5
International telecommunication services	5
In-Kingdom land transportation	15
Any other payments	15

All taxpayers (except non-residents who do not have a permanent establishment in the Kingdom) are required to keep the necessary books in the Kingdom in Arabic language.

Statutory compliance deadlines

A Saudi entity is required to comply with the following main filing requirements by law:

Statutory compliance requirements	Deadline
Filing of annual tax/Zakat return	120 days from year-end (60 days for consortium)
Filing of monthly WHT return	10 days from the end of month in which payment was made
Filing of annual WHT return	120 days from year-end
Contract Information Form (CIF)	Within 3 months of signing the contract or amendments to the contracts signed with suppliers (services or materials) if value is SAR 100,000 or more
Filing of accelerated tax payment	To pay advance income tax in 3 equal instalments calculated at 25% of the immediately preceding year's tax liability (SAR2 million or more), if due, by the sixth, ninth and twelfth month of the year
Filing of audited financial statements with the MOC	Within 4 months of year-end

Recent amendments in tax regulations

- Interest capitalized relating to capital assets is not to be considered in calculating limitation of interest expense.
- Definition of "unfunded obligations" has been clarified to mean the amount of employer's contribution as at the beginning of the fiscal year and that remains unpaid at the end of that fiscal year, for allowing deductible expenses purpose.
- Higher rate of 15% WHT on payments to related parties has been reduced to 5% in relation to payments for technical & consulting services and for international telecommunication services.
- WHT at 5% is applicable on international travels departing from KSA.

Capital gains tax is assessed at 20% on the disposal of shares by the foreign shareholder in a resident company.

Capital gains

- Capital gains tax is assessed at 20% on the disposal of shares by the foreign shareholder in a resident company. Capital gains on the disposal of shares traded on the Saudi stock exchange (Tadawul) are tax exempt if the shares were acquired after 30 July 2004. Capital gains realized from the disposal of securities traded on a stock exchange outside the Kingdom will be exempt from tax, provided the securities are also traded on Tadawul, irrespective of whether the disposal occurred through a stock exchange or through any other means.
- No gain or loss will be computed on transfers of assets between group companies, provided:
 - The companies are wholly owned (directly or indirectly) within the group; and
 - The assets are owned within the group for two years from the date of transfer.

Proposed income tax regulation

ZATCA has published a proposed Income Tax Regulation and, Zakat and Tax Procedure law for public consultation.

Notes:
 1. The TP disclosure form is to be submitted along with the annual tax and zakat return and should include details of the related party (controlled) transactions, the applicable TP method and a confirmation that the TP documentation is maintained in accordance with the TP regulations. Together with the TP disclosure form, an affidavit issued by a licensed accountant in KSA is also required to be submitted, certifying that the related party (controlled) transactions are consistent with the TP policy.
 2. In certain cases, the tax authority may at its discretion direct any taxpayer or zakat payer to prepare and maintain TP documentation. The burden of proof lies on the taxpayer to maintain robust documentation to support that the arm's length value of the transactions, even if the value of the related party (controlled) transactions is less than the prescribed threshold.
 3. The thresholds are mentioned in the decision of Board of Directors of ZATCA [(8-2-23) dated 08/28/1444 AH corresponding to 03/20/2023 AD].
 4. Secondary filing of a country-by-country report is required only in certain cases.
 5. The TP regulations in KSA have an extended related party definition, due to the introduction of effective control criteria. This is in addition to the ownership and common control criteria already present in the Income Tax law.
 6. The TP local file has certain additional requirements above the OECD standard local file, including the requirement to include an industry analysis and specific requirements for a comparability analysis. It is recommended that TP documentation, i.e. TP local file and TP master file, is maintained at the time of filing the tax return as this needs to be submitted to the tax authority upon request within the specified period (i.e. 30 days from the date of request).

2. Advance Pricing Agreements

The amended TP Bylaws also allow income taxpayers and zakat payers to apply for Advance Pricing Agreements (APA) for fiscal years beginning on or after 1 January 2024. The introduction of APAs is a positive and significant development, as it provides taxpayers and zakat payers with an alternative and binding arrangement with ZATCA and other tax authorities. This arrangement can offer more certainty on their TP positions for a maximum period of 3 years.

3. Mutual Agreement Procedure

Alternatively, Taxpayers also have the option of utilizing the Mutual Agreement Procedure (MAP) route to get relief from double taxation which could arise from transfer pricing (TP) disputes. The KSA MAP Guidelines are in line with the provisions of Articles 20 and 21 of the KSA transfer pricing bylaws (TP bylaws) which allow taxpayers to utilize the MAP in the context of cross-border TP adjustments. The MAP guidelines are also in line with Article 9 (Associated Enterprises) of most bilateral treaties concluded between KSA and other countries.

Transfer Pricing (TP)

1. Applicability of TP and brief summary on TP compliance and documentation requirements
 The KSA TP Bylaws were introduced in February 2019 and were made applicable from the financial year ended 31 December 2018, although, the Zakat Tax and Customs Authority (ZATCA) has been applying them retrospectively while conducting transfer pricing audits by relying on general anti-avoidance provisions in the Income-tax law. The KSA TP Bylaws and TP Guidelines are generally consistent with the Organization for Economic Co-operation and Development (OECD) TP guidelines and apply to income tax paying entities. However, through an amendment introduced by ZATCA in March 2023, the applicability of KSA TP Bylaws has been expanded to cover 100% Zakat paying entities for fiscal years beginning on or after 1 January 2024. The table below provides a summary of the TP requirements.

The table below provides a summary of the TP requirements.

TP compliance and documentation requirements	Threshold	Income tax paying entities	100% Zakat paying entities
Disclosure Form¹	No monetary threshold - All related party transactions, whether monetary or non-monetary, are required to be disclosed irrespective of the amount involved.	✓	✓*
Master File²	thresholds for FY2024" instead of "thresholdsFor FY 20204." • Replace FY2027 with FY2026, as the first phase spans three years, which includes FY2024, FY2025, and FY2026.	✓	✓*
Local File²	• Ensure that the number "3" appears in small superscript format after "SAR 48 million".	✓ ⁴	✓*
Country-by-Country Report (CbCR)	Consolidated revenue of the group exceeding SAR 3.2 billion	✓	✓
CbCR Notification	Consolidated revenue of the group exceeding SAR 3.2 billion		

* from 1 January 2024 onwards

Foreign income and tax treaties

Saudi Arabia has signed treaties with France, China, India, Pakistan, Malaysia, Austria, Italy, Ireland, Greece, Japan, Korea, Poland, Bangladesh, Vietnam, Ukraine, Netherlands, Russia, Singapore, South Africa, Spain, Turkey, United Kingdom and Northern Ireland, Uzbekistan, Belarus, Romania, Czech Republic, Tunisia, Malta, Azerbaijan, Hungary, Kazakhstan, Luxembourg, Tajikistan, Algeria, Ethiopia, Macedonia, Portugal, Sweden, Venezuela, Kyrgyzstan, Turkmenistan, Egypt, Hong Kong, Jordan, Mexico, Albania, Bulgaria, Cyprus, Georgia, Syria, Kosovo, Gabon, Switzerland, United Arab Emirates and Slovakia.

ZATCA had issued internal guidance recommending a stronger position on service permanent establishments (PEs). The guidance states that if a non-resident provides services for a period exceeding the agreed services PE duration under an applicable tax treaty (i.e. 183 days in a 12-month period), the non-resident will be deemed to have a PE in KSA, regardless of whether the services were physically rendered in KSA. Consequently, a foreign service provider rendering services in KSA for more than 183 days may create a PE even if it does not have any personnel or employees actually in KSA.

Recently ZATCA has abandoned the virtual PE concept by issuing a Circular. The ZATCA's position is aligned with the internationally accepted interpretation that the non-resident's employees or personnel must be physically present in KSA for the establishment of a service PE. The Circular clarifies that there are three requirements for a service PE as follows:

- Enterprise must provide services through its employees.
- Employees must be physically present in KSA.
- Number of days the employees are present in KSA must exceed the threshold period stipulated in the DTA.

Zakat

Zakat is payable by Saudi (and GCC national) shareholders in their share of the Zakat base in a company. The rate is 2.5% (This 2.5% could be changed to 2.577683% for the Zakat payer following the Gregorian year and paying Zakat on the Zakat base)

and is calculated on the higher of the Saudi's share in the adjusted net income or his share on the "balance sheet" basis.

The Zakat regulations effective from 1.6.1438H (February 28, 2017) replace all previous resolutions, circulars and instructions relating to Zakat collection from the date of this resolution.

The 2019 Zakat regulations were published on the ZATCA's website on 14 March 2019 and are effective for the accounting period commencing on or after 1 January 2019 by replacing the existing Zakat regulations that were issued in early 2017. The ZATCA's current practices are more or less compiled in the Zakat regulations. The ZATCA also published rules for computing Zakat on banks and finance companies licensed by SAMA. The Ministerial Resolution has been issued providing the framework that the State will bear the Zakat and Tax on Sukuks and Bonds issued by Ministry of Finance locally in Saudi riyals.

Recent amendments in zakat regulation

- Allowability of the deduction of House Ownership Program (HOP) from zakat base subject to certain conditions.
- Allowability of the deduction of sukuk (bonds) from zakat base subject to certain conditions.
- Reducing the amount of submitting bank guarantee for filing zakat appeal before GSTC (10% to 25% of zakat liability) in line with the actual payment.
- Zakat guidelines and rulings will now be binding on ZATCA officials, except for the following situations:
 - Actual facts, activities and transactions are different than those stated in the application for ruling.
 - Omission or misrepresentation of material facts.
 - Transactions that do not meet assumptions or requirements set out in guideline and rulings.
- Zakat guidelines and rulings will be applied prospectively from the date of issuance, publication and amendments.
- Zakat guidelines and rulings are issued only to provide the clarity to Zakat payers.
- Zakat guidelines and rulings cannot provide any exception, exemption, privilege, deduction or any other advantage

other than provided in the Zakat regulation.

Proposed Zakat regulation

ZATCA has published proposed Zakat regulation for public consultation.

Value Added Tax (VAT)

VAT was introduced in Saudi Arabia on 1 January 2018 at a standard rate of 5% on most goods and services. With effect from 1 July 2020 the standard VAT rate increased to 15%.

Taxable transactions

VAT applies to almost all supplies of services and goods (including imports), subject to limited exceptions. Exempt supplies include margin-based financial services, life insurance, residential property rental and the supply of residential and commercial real estate property. The State bears the VAT due on supplies of private educational and healthcare services provided to Saudi citizens.

Rates

The current standard rate of VAT is 15%. Certain goods and services are zero-rated in accordance with the GCC's Framework Agreement, which specifies some mandatory areas for zero-rating in all six GCC member states (including exports of goods and services to outside KSA, and the supply of qualifying medicines, medical goods and investment metals).

Registration

The standard mandatory VAT registration threshold is having an annual taxable turnover of SAR 375,000 for residents. A fine of SAR 10,000 is imposed for failure to register by the required deadline. Resident businesses also may apply to register voluntarily if they have annual taxable turnover of at least SAR 187,500. Non-residents providing taxable supplies to non-taxable customers in Saudi Arabia must generally register (whether directly or through a tax representative) within 30 days from the first such supply regardless of their business turnover.

Filing and payment

VAT tax periods may be monthly or quarterly. Taxpayers must submit the

VAT return electronically by the end of the following month, together with the payment required. VAT reporting can be carried out on a “cash accounting” basis for small businesses with an annual taxable turnover not exceeding SAR 5 million. Businesses with an annual turnover not exceeding SAR 40 million may use a quarterly filing period. The VAT obligations go together with strict documentation requirements (in Arabic).

The ZATCA is very active in identifying businesses that have failed to comply with the VAT law, and issues assessments and often significant penalties accordingly. To avoid penalties, businesses should ensure they are compliant from a VAT perspective. A strong indirect tax control framework is desirable.

Customs and Global Trade Advisory General overview

When goods are imported into the KSA, an import declaration should be submitted. Unless a duty exemption or a duty relief applies, most goods are typically subject to customs duties ranging from 0% to 25% determined by specific Tariff Codes. However, dates and tobacco products are levied 40% and 100%, respectively. Besides, antidumping, anti-subsidies and safeguard duties may be levied on certain products based on their origin and specific characteristics.

The customs duty rates are levied on the CIF value (Cost, Insurance, and Freight) of imported goods and are payable through banking channels through SADAD invoicing mechanism.

KSA is a member of the GCC Customs Union. Goods which have been cleared from Customs authority of another GCC Member State as “first point of entry” and are in free circulation, may cross the borders of GCC Member States without levying customs duties repeatedly at each point of entry under ‘MAKASA’ process. Any goods originating from another GCC Member State can avail customs duty exemption while entering into the KSA provided certain conditions

are met which KSA has implemented under National Rules of Origin in July 2021. These rules impose stricter conditions on products made in the GCC. Unlike the standard GCC rules, the KSA requires products to have at least 40% of their value added locally, employ a minimum of 25% local workforce and be shipped directly from the GCC country of origin. Products from free zones are excluded and may face customs duties. Given that KSA applies higher customs duty rates on certain products, it is important to note that, depending on the customs regime under which the goods are shipped and the nature of the goods, a duty differential may be payable when goods enter the KSA. This occurs when goods move from another GCC country under preferential origin rules and the GCC common customs duty rate in that country is lower than KSA's rate for the same product. Usually the importer of record and/or the declarant is the entity that declares the goods for import or export purposes when goods are declared at the Saudi border for movement into or out of the country. Even if a Customs broker is in place, subject to contractual arrangements, the owner of the goods and/or consignee may be held liable for the duty and related compliance obligations. As such, careful consideration should be given to the broker selection and contracting process.

The documents required at minimum for all commercial shipments to KSA, irrespective of value or mode of transportation, are:

- Commercial Invoice
- Certificate of Origin
- Bill of landing (or airway bill)
- Packing List.

Importers must complete the clearance process on FASAH portal by submitting the necessary documents and filling out the customs declaration form before the shipment arrives at the port of entry.

Depending on the goods being imported, additional documentation might be necessary. If the goods being shipped are particular in nature or classified as restricted, their import might

be subject to a specific import permit, approval, notification and/or approval from the relevant authority.

GCC Integrated Customs Tariff 2022

As of January 1st, 2025, GCC Integrated Customs Tariff is implemented across all GCC states. The tariff code system expands from 8 to 12 digits, enhancing precision in classifying existing products and accommodating the classification of new market entries. KSA adopted a 12-digit customs tariff system in 2016. However, in October 2025 it revised its national customs tariff schedule to align the commodity classifications with the new unified GCC tariff schedule. KSA keep revisiting customs duty rates and increase them aiming to protect local industries and enhance regulatory clarity.

Understanding the fundamental Customs drivers

In addition to complying with customs reporting and notification requirements, to assess the customs duty exposure, it is important to understand the following three key areas:

- Classification of goods: Determine how goods are classified for customs purposes and verify that the customs tariff classification codes are accurate.
- Origin of goods: Identify the country of origin for the imported goods and check if any free trade agreement benefits are available. It is important to make a distinction between the non-preferential origin of goods and the potential preferential origin of goods
- Valuation of goods: Establish the value of the imported goods, as this will be the basis to determine the duty liability.

Some consideration should also be given to operational and regulatory challenges arising from non-fiscal customs issues, such as export controls and trade embargoes impacting goods movement.



Key Customs trends and areas of focus in KSA

In recent years, ZATCA has intensified post-clearance audits (PCAs) to ensure compliance with customs and global trade regulations among importers and exporters. These audits primarily focus on verifying the accuracy of documentation for duty reliefs, validating customs valuation methodologies and declared values, determining classification codes, and verifying origins, among other aspects.

ZATCA allows for the granting of the Authorized Economic Operator (AEO) certification. The AEO program is an initiative designed to enhance the relationship between Customs authorities and businesses. AEO certified businesses enjoy various advantages, such as faster clearance times and reduced inspections. In recent time, we have noticed that data and information between government bodies in respect of taxpayer information may be shared. Specifically, after the merger in 2021 of the General Authority of Zakat and Tax and the General Authority of Customs to form ZATCA, there are several cases, where information exchange between different departments within ZATCA has resulted in audits being initiated. Many businesses and facilities continue to apply for the industrial exemption program, which allows the duty free import of goods when the importer has an industrial exemption in place. Obtaining such an exemption and ongoing compliance in this respect continues to be an area of focus for both businesses and ZATCA.

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Excise duty

In June 2017, Saudi Arabia introduced excise tax, another GCC harmonized initiative within the GCC Framework Agreement. Some of the key points are listed below:

- Excise tax is chargeable on the importation or production of certain excise goods released for consumption in KSA on or after 11 June 2017.

- The excise tax is, ordinarily, chargeable by reference to the "tax base" of the goods concerned. The tax base is the higher of either the retail selling price of the goods, or a list price which will be determined and published by the authorities.

- The categories of excise goods are, broadly, soft carbonated drinks and sugar sweetened beverages (50% rate), energy drinks (100% rate), and tobacco products, including electronic devices and liquids used for smoking (100% rate).

- All those holding excise goods valued in excess of SAR 60,000 were required to submit a one-off transitional return and pay excise due within 45 days of the implementation of the tax. This means many shops and other businesses were liable to pay tax on stocks on hand.

- In addition to any transitional return, excise tax licensees must submit returns reporting their total excise tax liabilities on a bi-monthly basis (i.e. one return every two calendar months). Returns must be submitted together with payment within 15 days of the end of the tax period.

- Importers of excise goods that are not entered into a tax suspension arrangement will be required to pay excise tax upon importation to the Customs authorities.

Real Estate Transaction Tax (RETT)

Real Estate Transaction Tax ('RETT') was introduced in Saudi Arabia with effect from 4 October 2020. RETT is applicable to any transaction that transfers the right

of ownership of real estate or the benefit of real estate, when that interest exceeds 50 years. It applies to both direct and indirect interests in real estate, as such the transfer of shares in a company or the units in a fund may also trigger a RETT liability, when the company or fund has substantial interests in real estate. It also applies in BOOT (build, own, operate, transfer) projects, when the real estate assets constructed transfer to the relevant counterparty at the end of BOOT period.

RETT applies at a rate of 5% of the total value of real estate transaction, regardless of the condition or use of the property at the time of the transaction. Under the newly published RETT Regulations (2025) there is a requirement for the tax base for RETT purposes to be in line within the fair market value.

Unless specifically exempted, RETT applies to all sales, assignments, transfers, and similar of land and property as well as rights thereto and shares in real estate rich companies. All RETT transactions (including those exempted) must be reported. No threshold applies. The liability for RETT is primarily with the transferor, albeit that the transferee can be jointly liable in certain situations. Although in general the levy of RETT corresponds with an exemption from VAT, there are transactions that may be subject to both RETT and VAT.

E-Invoicing

E-invoicing in Saudi Arabia is a mandatory requirement introduced by ZATCA in two implementation phases. These phases comprise of the Generation Phase (Phase 1), which has been in effect since December 4, 2021, and the Integration Phase (Phase 2) in effect since January 1 2023, which mandates integration with ZATCA's system.

E-invoices must comply with specific formatting and security requirements, including the use of XML or PDF/A-3 format with embedded XML, as well as digital signatures. Importantly, the e-invoicing system only applies to resident businesses but impacts B2B, B2G and B2C transactions. In 2025, ZATCA continues the rollout of Phase 2 of the e-invoicing (FATOORAH) initiative, introducing several waves targeting businesses based on their annual taxable revenues. Each wave has a designated compliance deadline by which affected taxpayers must integrate

their e-invoicing systems with ZATCA's FATOORAH platform. To facilitate compliance, ZATCA provides advance notifications to all affected taxpayers, allowing businesses adequate time to meet the integration requirements.

Non-compliance with e-invoicing regulations can lead to penalties, including fines and operational restrictions.

The initiative is designed to enhance transparency, reduce tax evasion and support of tax reporting for businesses operating in KSA.

Land tax

The Council of Ministers issued the white land tax law and its implementation regulations in June 2016 and levied 2.5% 'land tax' on all undeveloped residential

and residential/commercial plots within urban boundaries. The land valuation is performed by the Ministry of Housing and is applicable to individuals and private sector legal entities.

Personal taxation

- Presently, there is no employment tax in Saudi Arabia.

Tax amnesty

ZATCA has announced an extension of the tax amnesty initiative for an additional six months, pushing the deadline from 31 December 2025 until 30 June 2026.

The tax amnesty covers a range of taxes, including CIT, WHT, VAT and RETT. It offers relief from fines and delay penalties* relating to late registration with ZATCA, delayed payments, overdue submission of returns, corrections to VAT returns, corrections to RETT declarations and violations of e-invoicing and general VAT requirements.

The tax amnesty does not cover fines imposed for tax evasion, fines that have already been paid, or fines imposed for returns due from 1 January 2026 onwards.

*The Delay penalty is imposed on all delayed payments of taxes, including withholding tax. It is calculated at a rate of 1% of the unsettled tax for every 30 days of delay.





Immigration and labor landscape

Nationalization

The Saudi Nationalization scheme (Nitaqat) was developed by the Saudi labor ministry - the Ministry of Human Resources and Social Development (MHRSD) to increase the employment rate of Saudi nationals in the private sector. Each company is ranked according to a color coded system that rewards (or penalizes) companies for meeting Saudization targets.

While the labour market is open for foreign nationals, some professions are reserved for Saudi nationals only, while others have special Saudization targets assigned to them.

Examples of fully nationalized professions include Human Resources, Data Entry and Secretarial legal roles; partially nationalized professions include IT, Accounting, Marketing, Legal, and Engineering. Given the increased focus on nationalization, we expect more professions to be nationalized in the future.

Additionally, the type and location of an entity may see differing Nationalization requirements apply, including those entities registered under the Regional Headquarters Program and in some special economic zones (e.g. The Special Integrated Logistics Zone "ILBZ").

A five-tier grading system ranks a company's compliance with nationalisation under Nitaqat, granting or imposing restrictions on hiring expat employees, and also potentially impacting a company's broader labour operations for non-compliance.

Platinum	Able to apply for new visa quota; able to change employee's professions, able to renew work permit regardless of the validity period of Iqama (provided it does not exceed 6 months upon renewal), able to transfer employment of potential employees from employers at any Nitaqat band, alternative visas are provided to replace every leaver's final exit; and immediate calculation of actual hires.
High Green	Able to apply for new visa quota; able to change employee's professions, able to renew work permit regardless of the validity period of Iqama (provided it does not exceed 6 months upon renewal); able to transfer employment of potential employees from employers at any Nitaqat band; alternative visas are provided to replace every leaver's final exit; and immediate calculation of actual hires.
Medium green	Able to apply for new visa quota; able to change employee's professions, able to renew work permit regardless of the validity period of Iqama (provided it does not exceed 6 months upon renewal); able to transfer employment of potential employees from employers at any Nitaqat band; alternative visas are provided to replace every leaver's final exit; and immediate calculation of actual hires.
Low Green	Unable to apply for visa quota; able to change employee's professions, able to renew work permit regardless of the validity period of Iqama (provided it does not exceed 6 months upon renewal); able to transfer employment of potential employees from employers at Low Green and Red bands; alternative visas are provided to replace every leaver's final exit; and immediate calculation of actual hires.
Red	Unable to change profession; unable to transfer employee's sponsorship; unable to apply for visa quota; unable to issue new work permits; unable to open new labor file for new entity; unable to renew work permit of employees.

Visa entry and requirements

- All visitors are required to obtain a visa either on or prior to arrival to Saudi Arabia except:
 - Nationals of GCC countries .
 - Transit passengers with valid onward tickets.
 - Holders of re-entry permits, and landing permits issued by the Saudi Ministry of Foreign Affairs.

Visas on arrival are issued for some nationalities; however, these are only issued for tourist purposes and cannot be used for business travel.

There are two types of non-resident visa types for business activities and temporary work.

In addition to these visa types, there is also an 'Electronic Visa Wavier' which is exclusively for British Citizens.

It is issued for Single Entry only allowing the traveler to stay inside KSA for 180 days. An EWV covers all activities permissible under both the KSA Business visa and the KSA Tourist visa.

It must be obtained electronically via the KSA MOFA platform prior to traveling to KSA.

A) Business Visit Visa

Foreign nationals who wish to take short-term trips to Saudi Arabia to conduct business activities may obtain a Business Visit Visa.

Permissible business activities

Under a business visit visa, the permitted activities are as follows:

- Attending business meetings or discussions .
- Negotiating contracts.
- Attending and participating in a trade show .
- Visiting facilities and plants.
- Attending seminars or conferences.

Visa validity

- Single entry visa valid for 90 days from the date of issuance.
- Multiple Entry Visa – US and UK nationals are eligible for visas for up to 5 years; French and Japanese for up to 4 years; other nationalities may obtain visas valid for up to 1 year.
 - While some nationalities are generally eligible for a 1-Year Multiple Entry Business visa, the Saudi MOFA authorities may, at their discretion, issue Single-Entry visas with a validity of up to 90 days.
 - Maximum stay per visit: varies (30, 90, or 180 days) depending on nationality.

General requirements to obtain a business visa

- Valid passport or travel document with at least six months' validity.
- Valid health insurance approved by the authorities in Saudi Arabia.
- Commercial registration of the inviting company in Saudi Arabia.
- Letter of invitation from a Saudi company, and
- Letter of introduction from the applicant's employer, stating the applicant's job title and purpose of visit.

Additional requirements may apply depending on the applicant's country of legal residence or nationality.

B) Temporary Work Visa

This is a single-entry visa that allows foreign nationals to work in the Kingdom for up to 3 months from the date of entry and may be extended for an additional 3 months.

The application process involves two steps: employers must first obtain a visa quota, and foreign nationals must then obtain the visa from the Saudi consulate prior to travel.

Employers can visa quotas through Qiwa online portal. To be eligible, employers must:

- Have a Nitaqat status of medium green or higher.
- Ensure that all foreign workers hold valid work permits.

Eligible employers may purchase quotas in packages of one, five, 10 or 50. The cost is SAR 1,000 (approximately USD 267) per visa quota, while the cost for 50 visa quotas is SAR 45,000.

Employment of foreign nationals

Foreign nationals intending to engage in active, productive work in Saudi Arabia must obtain a work visa which is subsequently converted into a work permit and residency permit (Iqama) upon completion of in-country processes in. The Iqama is required to lawfully work and reside in Saudi Arabia. For Saudi companies to employ foreign nationals, they must have or obtain a visa quota balance and maintain at least a Medium Green Nitaqat

Saudization rating.

To employ a foreign national on a Work Visa, the employer must have an available visa quota. New entities are granted two types of quotas:

- Establishment visa quota : Provides a limited quota to enable the company to initiate its hiring activities.

Visa quota applies to both in-country Transfer of Employment as well as out-of-country recruitment. Employers are increasingly required, to focus on maintaining and improving their Saudization rates.

Ajeer and third-party sponsorship

Companies that rely on secondment and outsourcing arrangements to temporarily manage foreign workforce must ensure compliance with the Ajeer system. This system regulates third-party sponsorship relationships between companies and/or manpower companies. Depending on the type and duration of the secondment arrangement, applicable Saudization rules, fees, and permit requirements will apply.

Employment of GCC nationals

Nationals of the Gulf Cooperation Council (GCC) may work and reside in Saudi Arabia without requiring a work authorization. GCC countries include Bahrain, Kuwait, Oman the United Arab Emirates and Qatar. Nitaqat (Saudi nationalization) regulations apply to GCC nationals, while GOSI rules apply in accordance with bilateral social security agreements between GCC countries.

Training and development

Companies with 50 or more employees are required to train at least 12% of their Saudi workforce, and this must be documented on the QIWA platform on an annual basis.

Student internship program

All companies based in Saudi Arabia with 25 or more employees are required to provide internship opportunities to Saudi national students under the 'Saifi' Summer Training Program. Internships may take place at any time during the summer

break. The required number of interns is determined based on the total number of employees within the company.

Headcount	Number of students to be trained
25 - 500	4% of total headcount
501 - 3000	3% of total headcount
3001 and higher	2% of total headcount

Companies can meet this requirement by either:

- Offering internship opportunities within the organization for summer training;
- Providing training through an external certified training provider.

C) Tourist Visa

Saudi Arabia has an eVisa program opening the doors to visitors from around the world. Tourists can obtain a multiple-entry visa valid for one year, allowing a cumulative stay of up to 90 days. The visa is intended solely for tourism-related activities and Umrah (excluding Hajj season) and does not permit activities such as studying, attending business meetings or working.

Tourists from eligible countries can apply for a tourist visa online prior to travel or obtain a visa on arrival at the immigration counters at the port of entry when presenting their passports.

Tourists from other countries must apply for visa through the Saudi consulates or embassies prior to travel.

GCC residence permit holders are eligible to apply for an eVisa, while holders of valid US, UK or Schengen visas may be eligible to apply for an eVisa or obtain a visa on arrival provided these valid visas have been used at least once.

Social security and pension

The General Organization for Social Insurance (GOSI) is a government institution that ensures compliance of private sector businesses with social security regulations. It sets a mandatory fixed contribution share of employee's contributory wage (basic salary and housing allowance) which must be paid by the employer, employee or both on a monthly basis. These contributions are collected for the purposes of employees' annuity, unemployment insurance and/or occupational hazards. (see GOSI breakdown table).

	Annuity		Unemployment insurance		Occupational hazards
	Total	Employer's share	Employee's share	Employer's share	Employee's share
Saudi employees	21.50%	9%	9%	0.75%	0.75%
Foreign employees	2%	-	-	-	-

The Nitaqat threshold impacts a company's ability to hire expatriate employees from overseas or in-country. Furthermore, the Nitaqat scheme grades companies' compliance with nationalization requirements through a five-tier banding system, which operational incentives and limitations.

GOSI sets specific ranges for contributory wages for Saudi and resident foreign national employees, respectively, as well as an age limit.

The minimum monthly contributory wage for Saudi national employees is SAR 1,500 and SAR 400 for foreign national employees, while the maximum contributory wage for all employees is SAR 45,000.

Retirement benefits (annuity) are payable to insured Saudi national employees at the age 60, while there is no annuity contribution for expatriate employees.

The purpose of the Employer's Occupational Hazard contribution is to ensure that if any employee undergoes an incident during working hours or assignments, they are compensated for (i.e. percentage of their wage) until a final medical report is issued indicating their health status (i.e. recovery or disability). Any further decisions are made by GOSI accordingly.

GOSI sets specific measures for employee total disability, partial disability and/or death. GOSI is not applicable to individuals visiting Saudi Arabia on a Tourist, Business or a Visit Visa.

Wages and benefits

Salaries in the private sector are market-driven, based on job category, the sector, and a company's internal compensation structure. Wages are typically composed of basic salary, housing allowance and transportation allowance, although additional allowances may also apply. Unskilled workers may be provided with accommodation in lieu of a housing

allowance and a company car instead of a transportation allowance.

Furthermore, wages are directly linked to professions with certain nationalized occupations have minimum statutory wages that impact companies' compliance with Nitaqat requirements. Non-compliance may result in a lower nationalization rate.

In addition to wages, employers are required to provide the following mandatory benefits:

- Annual paid leave (21 days after one year of service and up to five years. If the employee is with the same employer for more than five years, s/he will be entitled to 30 days paid annual leave), as well as compassionate leaves, study leave, and sick leaves.
- Fully paid Maternity leave: A pregnant woman is entitled to one month of leave before delivery and six weeks after. An employer may not terminate the contract of a sick female employee during pregnancy or maternity leave.
- End-of-service benefits upon termination employment: the employee is entitled to half a month's pay for each of the first five years of service, and one month's pay for each subsequent year. In case of resignation, the employee is entitled to (i) one-third of the benefit for service between two to five years, (ii) two-thirds for service between five to ten years and (iii) the full benefit for service exceeding ten years.

• Medical Insurance for employees and their dependents residing in Saudi Arabia (in accordance with the regulations of the Council of Cooperative Health Insurance (CCHI)).

• Compensation packages for expatriate employees generally include provisions for annual leave and Exit Re/entry visas, allowing travel outside the Kingdom for a specified period (e.g., annual leave).

Overtime compensation is a mandatory requirement and must be paid by employers whereas annual bonus is not; yet still paid by most companies.

Payroll compliance

In 2013, the Ministry of Human Resources and Social Development (MHRSD) launched the Wage Protection System (WPS) as a mandatory requirement for all private sector businesses. This has now been incorporated into the "Mudad Business" platform. The system monitors salary payments to employees to ensure they are paid the correct amounts on time.

In addition, the MHRSD has incorporated broader regulations to include monitoring of:

- GOSI: to ensure that the salaries (e.g. basic salary, housing allowance) reported to GOSI match the employment contract.
- ZATCA: to use this information for tax purposes and compare salaries reported in WPS with those declared in tax returns.

Employment contract authentication

Companies are required to authenticate employees' contracts through an online contract system available on the Qiwa portal.

Labor Reforms Initiative (LRI)

On 14 March 2021, the Saudi Ministry of Human Resources and Social Development (MHRSD) implemented a series of labor reforms.

These reforms increase expatriate employee mobility by removing the requirement to obtain an employer consent, making it easier for employees to transfer their employment from one company to another.

These reforms also allow expatriate employees to apply for and obtain exit/re-entry permits and the final exit permits, with a notification sent to the employer without requiring employer's consent.

These changes require employers to revisit their strategies around compliance, retention, recruitment and policies to effectively manage the impact of these reforms on their workforce. It should be noted that these reforms are

part of the National Transformation Program which aims to reform the the Saudi labor market in line with Vision 2030. Further reforms are expected.

Regional Headquarter (RHQ) Program

In February 2022, the Ministry of Investment of Saudi Arabia (MISA) issued new guidance regarding its Regional Headquarter (RHQ) Program, which incentivizes companies to set up establish regional headquarters in the Kingdom of Saudi Arabia (KSA) by obtaining an RHQ business license.

The RHQ program aims to attract multinational corporations to establish their RHQs in KSA and position the country as a leading commercial, industrial and investment hub for the Middle East and North Africa region.

An RHQ is required to have at least 15 full-time employees within the first year, of which at least three must be at a corporate executive level – Chief Executive Officer (CEO), Chief Financial Officer (CFO), Vice-President , etc.).

An established RHQ will have access to the following benefits:

- 10-year exemption from the 'nationalization' regime (Saudization).
- Spousal work permits extension of dependent age limits up to 25 years.
- Waiver of Professional Accreditation requirements.
- Visa limit exemptions and issuance acceleration.
- End-to-end services (Business, Personal & Concierge).
- Government Tendering eligibility
- Access to KAFCO SEZ

On 5 December 2023, MISA in coordination with the Ministry of Finance in KSA and ZATCA, announced a 30-year tax incentive

package for the RHQ program.

The 30-Year Tax Incentive Package for RHQ

The general corporate income tax (CIT) rate in KSA is 20% and withholding tax (WHT) on specified KSA sourced payments to non-residents ranges from 5% to 20%.

The RHQ 30-year tax incentive package will provide:

- CIT on profits made by the RHQ: 0%
- WHT on dividend payments from the RHQ: 0%
- WHT for payments to related parties: 0%
- WHT for services payments to non-resident unrelated parties necessary to carry out RHQ activities: 0%

While not explicitly confirmed, it is expected that fees charged by an RHQ for support services to MNC group entities will need to comply with the arm's length principle. MNCs may also need to consider Pillar Two implications of these tax incentives.

The guidance issued by MISA in February 2022 confirms that an RHQ is limited to performing RHQ activities and must provide mandatory RHQ activities within six months of obtaining of the RHQ license and at least three optional activities within twelve months.

Mandatory RHQ activities include:

- Formulating and monitoring regional strategy,
- Coordinating strategic alignment,
- Embedding products and/or services in the region,
- Supporting acquisitions, mergers and divestments, and
- Reviewing financial performance.

RHQ management functions include:

- Business planning,
- Budgeting,

[Saudi Arabia says 540 companies have chosen Kingdom for regional headquarters](#)

- Business coordination,
- Identification of new market opportunities,
- Monitoring regional markets, competitors, and operations,
- Marketing plan for the region, and
- Operational and financial reporting.

Optional RHQ activities include:

- Sales and Marketing Support,
- Human Resources, and Personnel Management,
- Training Services,
- Financial Management, Foreign Exchange, and Treasury Centre Services,
- Compliance and Internal Control,
- Accounting,
- Legal,
- Auditing,
- Research and Analysis,
- Advisory Services,
- Operations Control,
- Logistics and Supply chain management,
- International Trading,
- Technical Support or Engineering Assistance,
- Network Operations for IT System,
- Research and Development,
- Intellectual Property Rights Management,
- Production Management, and
- Sourcing of Raw Materials and Parts.

Professional Verification Program

As Saudi Arabia continues to align with international business standards and enhance workforce quality, the MHRSD introduced verification programs to ensure the competency of foreign workers.

Low-skilled workers are generally required to undergo the 'Skills Verification Program,' which involves theoretical and practical assessments across various technical and vocational professions (e.g., electricians, plumbers, mechanics, welders, carpenters, and similar roles).

Highly skilled professions are typically subject to the Qualification Program (QVP), which focuses on validating academic credentials, professional qualifications, and relevant work experience.

Employee share plans

Prior to April 2018, when an organization granted shares (or other equity awards) in a non-Saudi entity to KSA resident employees, it was required to comply with certain legal requirements, including issuing such awards through an 'authorized person.'

Legislation introduced in April 2018 removed many administrative and reporting requirements. The key remaining requirement is to notify the relevant regulatory authority of such awards by the end of the relevant quarter. Certain details related to the award must also be disclosed.

Deloitte in Saudi Arabia – How can you benefit?

Deloitte Middle East (DME) is committed to providing client insight and delivering thought leadership to help our clients keep abreast of key developments in the tax landscape. Having been established in 1926, Deloitte Middle East is the longest standing professional services firm in the region. Deloitte's experts are dedicated to providing confidence in markets and finding innovative solutions that contribute to a stronger economy and healthier society. Enabled by a team of local experts based in KSA and a global network of valued services – built on decades of insight and experience – we can solve tough problems, advise you on the local market and assist you in establishing your business in KSA while providing a full suite of services and end-to-end solutions. The high quality and efficiency of Deloitte and Touche & Co. - Chartered Accountants' services have helped shape the business landscape of the Kingdom in the last half century. Deloitte's Middle East practice has been awarded a Tier One ranking in tax services since 2010 by the International Tax Review's World Tax Awards. Top tier rankings are provided to firms that have "an international network and leading reputation" which is "reflected in the size and quality of transactions" in the relevant jurisdiction.

We would welcome the opportunity to discuss your needs further and provide you

with a better understanding of the issues discussed in this material. Please do not hesitate to contact one of our specialists.



Generative AI in Saudi Arabia: Ambition, Infrastructure, and the Execution Gap

Overview

Saudi Arabia has emerged as one of the most ambitious national actors in the global generative AI (GenAI) race. Driven by Vision 2030's imperative to diversify the economy beyond oil, the Kingdom has moved swiftly to build the regulatory, institutional, and physical infrastructure needed to deploy AI at scale. Yet for businesses operating in or entering the Saudi market, the picture is more nuanced: while strategic intent and public investment are unambiguous, corporate execution, particularly in the private sector, continues to lag behind the ambition.

The Government's Strategic Commitment

The Saudi government has made generative AI a centrepiece of its national modernisation agenda, channelling investment through multiple institutional layers.

Saudi Data & AI Authority (SDAIA)

sits at the heart of this effort. Established in 2019, SDAIA has published a suite of frameworks that now govern how organisations in the Kingdom are expected to adopt AI — including a dedicated *Generative AI Guideline for Government* and a *Generative AI Guideline for the Public*, both issued in 2024. These are not aspirational documents; they set out practical guidance on responsible use, data privacy, transparency, and human oversight, and they align with Saudi Arabia's Personal Data Protection Law.

HUMAIN, launched in May 2025 under the Public Investment Fund (PIF) as an initiative of Crown Prince Mohammed bin Salman, represents the Kingdom's most direct structural bet on becoming

a global AI infrastructure hub. HUMAIN is building multi-gigawatt data centres, sovereign cloud platforms, and high-performance GPU clusters in partnership with global technology leaders, including NVIDIA and AMD. Its mandate extends to developing Arabic-language large language models (LLMs) and eventually exporting AI capabilities, positioning Saudi Arabia not just as a consumer but as a producer of AI.

The economic rationale underpinning these investments is significant. AI is projected to contribute up to USD 135 billion to Saudi Arabia's GDP by 2030, according to estimates cited by the Digital Government Authority (DGA). A DGA research study published in May 2025 estimated that Saudi Arabia stands to gain \$56 billion annually from GenAI adoption in the public sector alone — the highest projected public-sector benefit of any country analysed.

Homegrown Capabilities: ALLaM and METABRAIN

A distinguishing feature of Saudi Arabia's generative AI strategy is its investment in Arabic-language AI. Saudi Arabia launched ALLaM, a generative AI model tailored for the Arabic language, developed by SDAIA and integrated into IBM's Watsonx platform. ALLaM has been recognised as the leading generative AI model for Arabic on the Arabic MMLU benchmark and has since been integrated into Qualcomm's ecosystem, broadening its accessibility.

Saudi Aramco, meanwhile, developed **METABRAIN**, a 250-billion parameter large language model trained on decades of operational data to support geological analysis,

drilling optimisation, and engineering decision-making. This is not a proof-of-concept, it is an industry deployment at a scale few organisations globally have attempted.

These are meaningful signals for businesses entering the Kingdom: the AI ecosystem is not simply importing tools from abroad, but actively building sovereign, Arabic-first capabilities designed for local operational contexts.

Government Sector: From Policy to Deployment

The public sector has been the most organised adopter of generative AI in the Kingdom. Government entities have been required to align AI adoption with the Digital Government Strategy and the AI Adoption Framework, which provides structured guidance across key steps, best practices, and ethical standards.

Microsoft's December 2025 assessment of the Saudi AI landscape observed that "2025 marked an important inflection point" in which AI moved beyond pilots and proofs of concept into scaled, real-world deployment in government service delivery, including in education, healthcare administration, and public safety.

The Ministry of Education has introduced AI tools to support

teaching, and STC Group launched Saudi Arabia's first sovereign AI cloud platform in 2025, featuring Enterprise GPT capabilities for government and enterprise use. The National Data Bank now integrates over 322 systems, providing a more coherent data foundation for AI-driven services.

Private Sector: High Ambition, Uneven Execution

The private sector picture is more mixed, and it is here that the most commercially relevant tension lies for incoming businesses and investors.

A February 2026 survey "GenAI in Tax and Finance: GCC Adoption Insights and Execution Realities" commissioned by Deloitte provide additional context to the Kingdom's evolving AI landscape. The study gathered input from hundreds of tax and finance leaders across Saudi Arabia, United Arab Emirates, Qatar, and Kuwait, with participation strongest in Saudi Arabia, representing 48% of responses. The survey highlights that maturity remains uneven. While experimentation is expanding, 63% of organizations remain in exploratory or early-stage implementation phases.

Across the region, non-adoption declined from 52% to 29% year on year, indicating that GenAI is increasingly moving beyond awareness into experimentation and early implementation. Research and data analysis have emerged as leading priority areas, together accounting for 41% of use cases identified. This emphasis on analytical depth and quality improvement over simple task automation aligns closely with Saudi Arabia's broader policy focus on productivity, regulatory precision, and data-driven decision making. The gap, in short, is not one of willingness or awareness at the leadership level. It is the distance between executive intent and operational reality, the readiness of processes, data, talent, and governance

to support scaled AI deployment.

Key Barriers to Execution

Several structural barriers account for the space between ambition and delivery in the Saudi market:

Data readiness: Despite significant investment in the National Data Bank, many organisations — particularly in the private sector — operate with fragmented data architectures that limit the effectiveness of AI systems.

Talent: Saudi Arabia's National Strategy for Data & AI sets targets of training 20,000 data and AI specialists and establishing 300 AI-driven startups by 2030. Skilling programs such as SDAIA's Elevate initiative which aims to train 25,000 women in data and AI, but the talent gap remains a limiting factor for enterprise-scale deployment.

Change management: Research consistently highlights that technical capability alone does not drive adoption. Organisations that have succeeded in scaling GenAI have invested heavily in organisational change management, employee upskilling, and building internal centres of excellence.

Governance and compliance:

The Kingdom's evolving regulatory landscape, including the Personal Data Protection Law and the SDAIA Generative AI Guidelines, creates a compliance dimension that organisations must navigate before deploying customer-facing or data-intensive AI applications.

Implications for Businesses Operating in KSA

For companies operating in or entering the Saudi market, several practical conclusions follow from this landscape.

The government is a reliable anchor of GenAI demand. Public sector entities are deploying AI with institutional

backing, structured frameworks, and growing data infrastructure. Businesses that serve government clients, in healthcare, logistics, education, finance, or smart cities, should expect AI capabilities to become a baseline expectation in procurement.

In the private sector, many organisations are in a productive moment of early-to-mid adoption: they have executive buy-in, are making investment decisions, but have not yet built the operational foundations for scale. This creates a well-defined opportunity for technology vendors, system integrators, and professional services firms with credible implementation experience, particularly those that can address data readiness, workforce capability, and governance alongside the technology itself.

Arabic-language capability is not a differentiator, it is a threshold requirement. The Kingdom's investment in ALLaM, HUMAN's LLM development programme, and the broader emphasis on culturally aligned AI means that solutions operating in Arabic-language contexts must be fit for purpose in that environment. Global providers entering KSA should audit their Arabic NLP capabilities early.

Finally, organisations should take a long-term view. The investment cycle is ongoing. Businesses that build relationships, capabilities, and local credibility now, before the market reaches maturity, will be significantly better positioned than those that wait for the execution gap to close on its own.

*Sources: Saudi Data & AI Authority (SDAIA); Digital Government Authority (DGA) GenAI in Digital Government Report, May 2025; Digital Government Authority, "Digital Transformation Measurement 2024"; Oliver Wyman / SDAIA "Innovation Oasis" Report, 2024; Access Partnership, "The Economic Impact of Generative AI Use," 2025; Microsoft EMEA, "Building the Foundations for Saudi Arabia's AI-Powered Future," December 2025; Statista Generative AI Market Forecast: Saudi Arabia; MarketsandMarkets Saudi Arabia AI Market Report, 2025;

Want to do business in Saudi Arabia?



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We welcome the opportunity to discuss your needs further and provide you with a better understanding of the issues discussed in this material. Please do not hesitate to contact one of our specialists.

The 'Doing business guide' series is supplemented by the Middle East Tax Handbook, which provides a summary of basic tax information in a country-by-country snapshot.

Deloitte has created a series of Business Guides to help clients learn more about influential tax considerations, alongside key legal, economic and market drivers which may impact those who are maintaining a business or looking to invest in countries such as UAE, Iraq, and Kuwait.

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Deloitte's Tax professionals in the Middle East provide both compliance and advisory services across a broad range of matters affecting businesses. This approach ensures clients' most demanding challenges when operating in multiple jurisdictions are holistically addressed in a coordinated way, by subject matter and industry specialists, locally and abroad.









Tax team based in KSA

We have a team of dedicated tax professionals, based in KSA, who possess a solid understanding of the local market. With their practical experience and familiarity with the country's business environment, they are well-equipped to provide valuable guidance on tax matters. Their knowledge extends beyond just regulations, encompassing insights into market trends that can be critical for business planning. They help businesses navigate KSA tax regulations while taking into consideration the specificities of the local market. Whether you are looking to maintain compliance or seeking ways to optimize your tax position, our team is here to support your business in a grounded and effective manner.

Summary of tax services

- Business Tax
- International Tax
- Transfer Pricing
- Mergers and Acquisitions Tax
- Indirect Tax
- Global Employer Services
- Business Process Solutions
- Tax Technology Consulting and Support

Our tax teams across the region

- | | | | |
|---|-------------------------|---|----------------------|
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|  | Egypt |  | Qatar |
|  | Iraq |  | Cyprus |
|  | Jordan |  | Oman |
|  | Kingdom of Saudi Arabia |  | United Arab Emirates |

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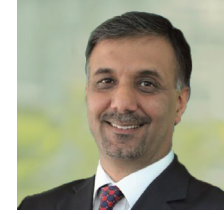
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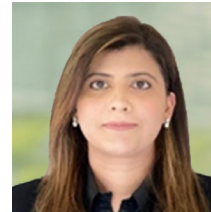
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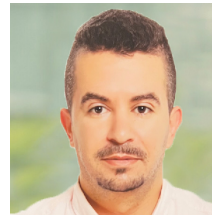
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