

# Special Economic Zones

## New Regulatory Frameworks Issued.

January 2026



Saudi Arabia has formally issued the much-anticipated regulatory frameworks governing several key Special Economic Zones (SEZs).

These regulations represent a significant milestone in the Kingdom's SEZ programme, providing a structured legal, tax, customs, and operational regime designed to attract investment, promote targeted economic activity, and enhance Saudi Arabia's global competitiveness.

The newly approved bylaws apply to:

- Jazan Special Economic Zone.
- Cloud Computing Information System Special Economic Zone.
- Ras Al-Khair Special Economic Zone.
- King Abdullah Economic City (KAEC) Special Economic Zone.

Together, these frameworks establish a specialised business environment that offers defined incentives while simultaneously introducing clear compliance obligations, enforcement mechanisms, and penalties. As such, while the regulations create meaningful opportunities, they also demand a more disciplined and structured approach to operating within SEZs.

### Key Tax and Customs Implications

From a tax perspective, the regulations confirm that licensed SEZ entities will remain subject to Corporate Income Tax, while benefiting from a specific exemption from Zakat. This exemption is not automatic; it is conditional upon the entity holding a valid SEZ licence, operating strictly within the scope of its licensed activities, and complying with the applicable regulatory and substance requirements. Any deviation from the licensed activity profile may place the exemption at risk.

The regulations also provide for Withholding Tax (WHT) relief in respect of payments connected to licensed SEZ activities. However, this relief is tightly scoped and subject to detailed rules. Payments that fall outside the licensed activity framework, or that do not meet the qualifying conditions, may continue to attract WHT under the general tax regime. Businesses should therefore exercise caution when structuring intercompany and third-party arrangements involving SEZ entities.

In relation to Value Added Tax, the regulations introduce a differentiated treatment between goods and services. Supplies of goods from mainland Saudi Arabia to SEZ entities, as well as supplies between SEZ entities, may benefit from a zero-percent VAT rate, provided the goods are placed under a customs suspension arrangement and are directly linked to the licensed activity. Similarly, goods imported into Saudi Arabia from outside the Kingdom into an SEZ may be exempt from VAT, subject to compliance with customs procedures and documentation requirements.

Notably, the regulations do not expressly extend zero-rating to services. As a result, services provided to or by SEZ entities remain subject to the general VAT Law and its Implementing Regulations unless further clarification is issued. This creates a potential area of uncertainty, particularly for management services, shared services, cloud-based services, and cross-border support arrangements, and is expected to be an area of focus in forthcoming guidance from ZATCA.

From a customs perspective, the regulations confirm that customs duties are suspended on goods brought into licensed SEZ facilities, provided such goods are used for licensed activities and placed under one of the recognised customs suspension arrangements in accordance with the Unified Customs Law. Any breach of these conditions may result in the retroactive application of customs duties, penalties, and administrative sanctions.

## Compliance, Violations and Penalties

Importantly, the new frameworks do not operate solely as incentive regimes. They also introduce a clear compliance and enforcement structure, including defined violations, financial penalties, and the potential suspension or withdrawal of SEZ benefits. This reflects a broader shift towards an incentive-with-discipline model, under which access to benefits is closely linked to ongoing regulatory compliance, accurate reporting, and effective internal controls.

## Implementation Timeline

The regulations are required to be implemented within 90 days of publication. During this period, existing licensed SEZ entities must review and, where necessary, rectify their status to ensure alignment with the new rules from the effective date. Failure to do so may expose businesses to penalties or the loss of SEZ incentives.

## What This Means for Businesses in Saudi Arabia

For new entrants considering SEZ establishment, the regulations provide greater clarity and certainty around the incentives available, particularly for businesses operating in capital-intensive, export-orientated, digital, cloud, manufacturing, and logistics sectors. However, careful upfront structuring is essential to ensure that licensing, tax treatment, VAT positioning, and customs arrangements are aligned from the outset.

For existing SEZ entities, the publication of these regulations represents a critical compliance checkpoint. Businesses should reassess whether their current operations, contractual arrangements, and supply chains remain fully aligned with their licensed activities and whether they are correctly applying VAT, WHT, and customs treatments.

Mainland businesses transacting with SEZ entities should also review their contractual and invoicing arrangements, as incorrect tax or VAT treatment may give rise to retrospective exposure.

In light of the above, businesses operating in or engaging with SEZs should take proactive steps to review their licensing position, tax and VAT treatment, and customs arrangements. This includes assessing the alignment of actual activities with licensed scopes, reviewing service versus goods classifications for VAT purposes, and ensuring that governance frameworks and internal controls are sufficient to support ongoing compliance.

Further guidance from ZATCA is expected in the coming days, particularly in relation to VAT on services and the practical application of WHT exemptions. Businesses should remain alert to these developments and be prepared to adjust their positions accordingly.

## Our Perspective:

**The issuance of these SEZ regulations represents a significant evolution in Saudi Arabia's economic zone framework. While the incentives are attractive, the benefits are conditional and require disciplined execution. Organisations that invest early in robust structuring, governance, and compliance will be best positioned to realise the full value of operating within SEZs.**

## Contact Us

Our tax and regulatory specialists can assist with SEZ structuring, licensing, tax and VAT advisory, customs and supply-chain assessments, and ongoing compliance support. Contact us to discuss the impact of SEZ further.



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