

Aldar Audit Bureau
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Grant Thornton

Unlock Saudi Arabia

MAY 2020

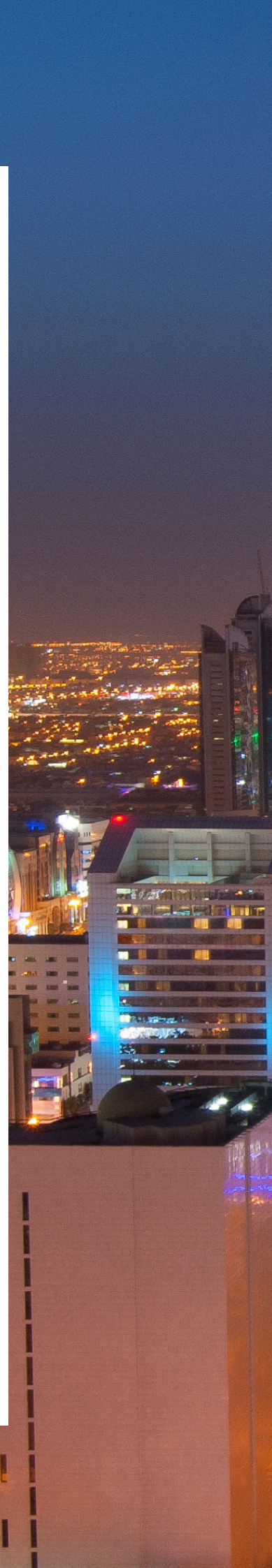


“Vision 2030 is a bold yet achievable blueprint for an ambitious nation. It expresses our long-term goals and expectations and it is built upon our country’s unique strengths and capabilities. It guides our aspirations towards a new phase of development – to create a vibrant society in which all citizens can fulfil their dreams, hopes and ambitions to succeed in a thriving economy”.

Crown Prince and Chairman of the Council of Economic and Development Affairs
Mohammad bin Salman bin Abdulaziz Al-Saud

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“As a G20 country which is focused on driving its vision 2030 strategy forward, the Kingdom of Saudi Arabia (KSA) boasts a plethora of opportunities for investors and those considering doing business across the Arab world”

The Kingdom of Saudi Arabia (KSA or Saudi Arabia) is the largest oil-rich Middle Eastern country, fifth-largest in Asia and second-largest in the Arab world. The Kingdom is home to the world’s two largest assets – oil and the youngest population on earth.

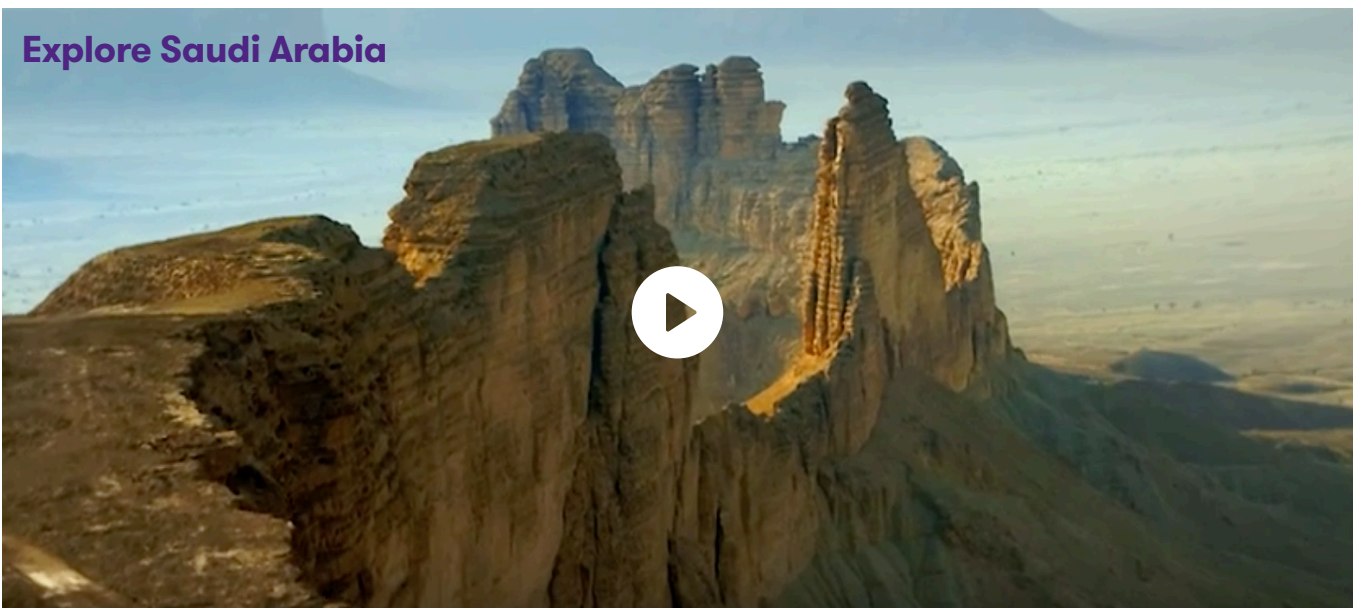
The opportunities available across the county are abundant, and in keeping with the ethos of the countries ambitious Vision2030 strategy, it aims to build a vibrant society, a thriving economy and an ambitious nation that draw on the country’s intrinsic strengths to help the Kingdom’s citizens realise their aspirations, along with diversifying the economy to capitalise on the resources available.

Highlighted in this guide, which was accurate at the time of publishing, is a brief overview of doing business in Saudi Arabia.

For further details or to discuss your requirements, please contact me.

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Explore Saudi Arabia





Fast facts and overview

Area: 2,149,690 sq km, approx. one-fifth the size of the US

Population: 34.2 million. Saudi nationals make up 64% of the total population.

Age: Saudi Arabia has the youngest population on earth with half of its residents being below 25 years old, who are digital-savvy and have access to high-disposable income due to the legacy wealth of local family businesses.

Capital: Riyadh

Ethnic Groups: Arab 90%, Afro-Asian 10% GDP: Purchasing power parity: \$1.775 trillion with GDP per capita being

\$54,500. Constant growth in real GDP and in Consumer Price Index of 2.5%, compare to previous years.

Unemployment: 6%: data is for total population

Saudi Arabia is separated from Egypt and Israel by the Aqaba Gulf and surrounded by Yemen, Oman, United Arab Emirates, Bahrain, Qatar, Iraq, and Jordan. Saudi Arabia is the only state with both the Persian Gulf and the Red Sea coasts. The geographic location and political stability make Saudi Arabia an attractive land of opportunity, which has attracted vast foreign direct investment (FDI), along with media attention.

Country overview

The total population in Saudi Arabia was estimated at 34.2 million people in 2019, according to the latest census figures. The Gross Domestic Product (GDP) was worth 785 billion US dollars in 2019, according to official data from the World Bank and projections from Trading Economics. They recorded a government debt equivalent to 19.10 percent of the country's GDP in 2018.

The Corporate Tax Rate in Saudi Arabia stands at 20 percent.

Saudi Arabia is ranked 62 among 190 economies in the ease of doing business, according to the latest World Bank annual ratings, and is the 51 least corrupt nation out of 180 countries, according to the 2019 Corruption Perceptions Index reported by Transparency International.

Advantages of doing business in Saudi Arabia

Starting a business: Incorporating a business has become more efficient given several pre-and post registration procedures have been merged,

Dealing with construction: Obtaining construction permits is easier with the launch of an online platform and by providing civil defense approval after the issuance of a permit.

Protecting minority investors: They have strengthened minority investor protections by increasing access to evidence at trial.

Recent Business Reforms

Paying taxes: Value added tax was introduced in 2018.

Resolving insolvency: Easier to resolve insolvency by introducing a new insolvency law.

Trading across borders: Importing and exporting was made easier by enhancing their electronic systems.

Rates	
Inflation Rate (%)	1.20
Interest Rate (%)	1
GDP	
GDP (USD Billion)	785
GDP Growth Rate (%)	0.70
Labour	
Employed Persons (Thousand)	10085.90
Unemployed Persons (Thousand)	1002855
Labor Force Participation Rate (%)	58.40
Population (Million)	34.2
Retirement Age Women	55
Retirement Age Men	60
Government	
Credit Rating	A-
Government Debt to GDP (%)	19.10
Taxes	
Corporate Tax Rate (%)	20
Business	
Ease of Doing Business	Ranked 62
Internet Speed	6705.52 KBps
Corruption Index	52 points
Corruption Rank	51 least corrupt

Why invest in Saudi Arabia

Diversification and reform journey

Saudi Arabia has launched Vision 2030, which is aimed at enhancing its business environment and economic performance.

Government incentives

The government has launched privatization programmes aimed at unlocking state-owned assets and increasing private investors participation.

Low levels of taxation

Saudi Arabia has one of the lowest level of taxation globally; there is no individual income tax scheme.

Strategically located

Saudi Arabia is strategically located, linking three different continents.

Sector growth

The fastest growing sectors across the country include Hajj and Umrah, Education, Housing and Financial Services.

Setting up a company in Saudi Arabia

Summary	100% SAGIA LLC	51% LLC	National LLC	Commercial Agency Agreement
Best use of company	All products and services	All products and services	All products and services	Manufacturing and export trading
Limited liability entity	Yes	Yes	Yes	No
Government grants available	Yes	Yes	Yes	Yes
Government approval for foreign owners	Yes	Yes	No	No
Minimum paid up share capital	US\$134,000	US\$134,000	US\$27,000	none
Can bid for Government contracts	Yes	Yes	Yes	No
Can secure trade finance	Yes	Yes	Yes	Yes
VAT payable on sales to local customers	5%	5%	5%	5%
Statutory corporate tax payable	20%	20%	0%	0%
Zakat tax applicable	No	Yes	Yes	Yes
Must file an annual tax return	Yes	Yes	Yes	Yes
Must file annual financial statements	Yes	Yes	Yes	Yes
Access to double taxation treaties	Yes	Yes	Yes	No
Withholding tax on payments to foreign shareholders	5% - 20%	5% - 20%	0%	0%
Resident director/partner/manager/legal representative required	No	Yes	Yes	Yes
Minimum number of shareholders/partners	2	2	1	1
Maximum shareholding for foreigners	100%	49%	0%	0%
Can be wholly foreign owned	Yes	No	No	No
Sponsorship by a local citizen required	No	Yes	Yes	Yes
Can easily convert to a PLC	Yes	Yes	Yes	No
Can secure an import and export license	Yes	Yes	Yes	Yes
Require a resident as bank signatory	Yes	Yes	Yes	Yes
Minimum number of directors/managers	1	1	1	1
Monthly VAT reporting to the Government	Yes	Yes	Yes	Yes
Required to sign an office lease agreement during incorporation	Yes	Yes	Yes	Yes
Shareholders & directors documents to be attested/translated	Yes	Yes	Yes	Yes
Can secure residence visa for business owner	Yes	Yes	Yes	Yes

Sources:

- <https://tradingeconomics.com/saudi-arabia/indicators>
- <https://www.healyconsultants.com/saudi-arabia-company-registration/>
- <https://openknowledge.worldbank.org/bitstream/handle/10986/32436/9781464814402.pdf?sequence=2&isAllowed=y>
- <https://investsaudi.sa/en/why-saudi-arabia/>
- <https://investsaudi.sa/en/sectors-opportunities/emerging-sectors/>

Economic Performance

The International Monetary Fund (IMF) raised its estimates for economic growth in Saudi Arabia by 0.3% and 0.5% respectively to 2.2% for 2018 and 2.4% for 2019, which will further aid FDI into the country.

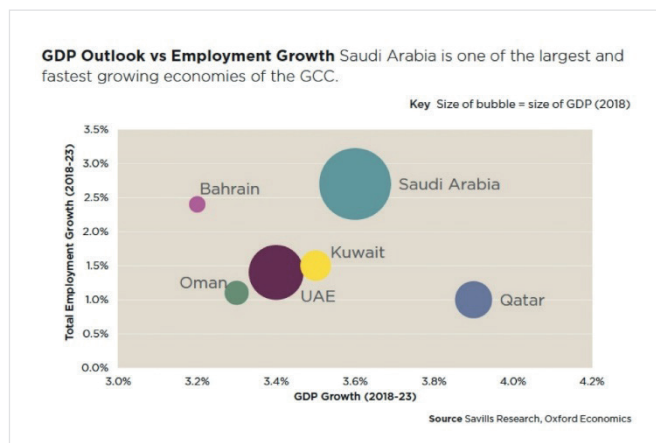
Economic Output	Actual	Estimate	Projections			
	2018	2019	2020	2021	2022	2023
Real GDP growth	2.3%	2.6%	2.7%	2.7%	2.8%	3.0%
Nominal GDP (SAR billion)	2,938	3,125	3,263	3,418	3,602	3,781
Nominal GDP growth	14.1%	6.4%	4.4%	4.8%	5.4%	5.0%
Inflation	2.6%	2.3%	2.1%	2.0%	2.0%	1.9%

Source: Budget Statement 2019 - Ministry of Finance

Saudi Arabia announced its largest ever planned budget spending of SAR 1.1 trillion, which will further support and fuel Vision2030, whilst enhancing the commercial and social landscape of the country.

The country holds a secure and high-profile position as an active G20 member, along with driving the agenda as a member of OPEC.

In terms of GDP Outlook, Saudi Arabia is positioned as the fastest and largest economies in the GCC, which drives the vision forward for the remaining countries. It is an active driver of change and key trade partner for some of the world's largest countries, as highlighted in the FDI section.



Revised economic outlook post pandemic

The outlook for 2020 remains fragile in the wake of COVID-19 and oil supply shocks. Vision 2030 related reforms are critical for diversification, and progress was made on business environment reforms.

Growth stalled, driven largely by the deliberate oil production cuts in excess of those required under OPEC+ agreement, and lower oil prices. Overall, the economy grew by 0.3% in 2019 despite strong performance of non-oil sectors supported by private consumption and investments. The stronger non-oil sector offset the headwinds from oil, with December headline inflation recording a positive reading for the first time in a year.

Despite indicated spending cuts to weather the fall in oil receipts, the fiscal deficit is expected to widen in 2020. COVID-19 related health spending will be prioritized, for example a commitment to free treatment for all residents (not only nationals). The deficit narrows afterwards as oil prices moderately recover to levels well below consensus assumptions at the start of the year.

Limited information on the extent and duration of the outbreak makes it difficult to evaluate the indirect channels of impact in the economy, however the government and authorities are refocusing budget spend and savings to ensure the economy remains stable and sustainable for ongoing future growth.

FDI into Saudi Arabia

Saudi Arabia is the 20th largest exporter of goods and the 32nd largest import market in the world. Foreign trade represents 63.4% of its GDP (2018).

Petroleum products represent a large majority of exports (76.4% of total exports in 2017, 78.5% in 2018), followed by petrochemical products (propylene, ethylene, etc.). Automobile accounts for the largest share of imports, followed by telecommunication devices and medicine.

Saudi Arabia's main export partners are the UAE, China, India, Singapore and Kuwait. Its main import partners are China, the United States, Germany, Japan, South Korea and the UAE. The country's trade balance, although structurally in surplus, fluctuates depending on the price of oil and global demand.

Exports grew rapidly in 2018 on the back of rising oil prices in the first half of the year, standing at SAR 1.1 trillion (USD 294 billion), with oil exports resign to SAR 868 billion. Merchandise imports were at SAR 507 billion, pushing the trade surplus to SAR 597 billion, the highest since 2015.

In order to promote international trade, attract foreign investment and diversify the non-oil sectors, the government has announced plans to establish four 'economic cities' in different regions of the country

Main Partner Countries

Main Customers (% of Exports)	2018	Main Suppliers (% of Imports)	2018
China	3.3%	China	16.5%
United Arab Emirates	2.8%	United States	13.3%
Singapore	1.4%	United Arab Emirates	8.9%
India	1.2%	Germany	5.4%
Belgium	0.8%	India	4.2%
See More Countries	90.5%	See More Countries	51.7%

Source: Comtrade, 2019. Because of rounding, the sum of the percentages may be smaller/greater than 100%.

Main Products

294.5 bn USD of products exported in 2018		135.2 bn USD of products imported in 2018	
Polymers of ethylene, in primary forms	3.9%	Motor cars and other motor vehicles principally...	6.6%
Polymers of propylene or of other olefins, in...	2.1%	Transmission apparatus for radio-telephony,...	3.8%
Ethers, ether-alcohols, ether-phenols,...	1.7%	Medicaments consisting of mixed or unmixed...	3.1%
Acyclic alcohols and their halogenated,...	1.0%	Petroleum oils and oils obtained from bituminous...	2.7%
Cyclic hydrocarbons	0.9%	Gold, incl. gold plated with platinum, unwrought...	2.3%
See More Products	90.4%	See More Products	81.5%

Source: Comtrade, 2019. Because of rounding, the sum of the percentages may be smaller/greater than 100%.

Government structure

The Kingdom of Saudi Arabia as an Arab and Islamic sovereign state; its religion is Islam and its constitution is the Holy Qur'an and the Sunnah.

The King, who also acts as prime minister, ensures the application of the Shari'ah and the State's general policy, and supervises the protection and defence of the nation. The Crown Prince is appointed by the King. Members of the Council of Ministers assist the King in the performance of his duties.

The purpose of the State is to ensure the security and rights of all citizens and residents.

The council of ministers

The Council of Ministers, also called the Cabinet, advises the King and facilitates the country's development. It represents 22 different government ministries and is presided over each week by the King or his deputy.

The Cabinet is responsible for drafting and overseeing implementation of the internal, external, financial, economic, education and defence policies as well as the general affairs of the State.

The Cabinet consists of the Prime Minister (the King), the Deputy Prime Minister (the Crown Prince, who currently is also a Minister with portfolio), 21 other ministers with portfolio and seven ministers of state.

It is the final authority for financial, executive and administrative matters. Its resolutions are non-binding unless agreed upon by a majority vote. In case of a tie, the prime minister casts the tie-breaking vote. It functions in accordance with the Basic System of Governance and is advised by the Majlis Al-Shura (Consultative Council).

Established in 1953 by King Saud, the Cabinet was restructured by King Fahd in 1993 and King Salman in 2015.

Legal and Judicial Structure

Since Saudi Arabia is an Islamic state, its judicial system is based on Islamic law (Shari'ah) for both criminal and civil cases. At the top of the legal system is the King, who acts as the final court of appeal and as a source of pardon.

The Saudi court system consists of three main parts. The largest is the Shari'ah Courts, which hear most cases in the Saudi legal system. The Shari'ah courts are organized into several categories: Courts of the First Instance (Summary and General Courts), Courts of Cassation and the Supreme Judicial Council.

Supplementing the Shari'ah courts is the Board of Grievances, which hears cases that involve the government. The third part of the Saudi court system consists of various committees within government ministries that address specific disputes, such as labor issues.

In April 2005, a royal order approved in principle a plan to reorganize the judicial system. On October 1, 2007, a royal order approved the new system. Changes include the establishment of a Supreme Court and special commercial, labor and administrative courts.

Shari'ah (Islamic Law)

Shari'ah refers to the body of Islamic law. It serves as a guideline for all legal matters in Saudi Arabia. In the Shari'ah, and therefore in Saudi Arabia, there is no difference between the sacred and the secular aspects of society.

Muslims derive Shari'ah law primarily from the Holy Qur'an and secondarily from the Sunnah, the practices and sayings of the Prophet Muhammad during his lifetime. The third source is Ijma', the consensus of opinion of Muslim scholars on the principles involved in a specific case occurring after the death of the Prophet. Qias, analogy, is the fourth source of law.

Shari'ah presumes that a defendant is innocent until proven guilty, and only in serious crimes or in cases of repeat offenders is one likely to witness severe punishments.

Majlis Al-Shura

The Majlis al-Shura, or Consultative Council, is a legislative body that advises the King on issues that are important to Saudi Arabia.

It is a modern version of a traditional Islamic concept – an accessible leader consulting with learned and experienced citizens – which has always been practiced by Saudi rulers.

The Consultative Council currently consists of 150 members appointed by the King for a four-year renewable term. Based on their experience, members are assigned to committees. There are 12 committees that deal with human rights, education, culture, information, health and social affairs, services and public utilities, foreign affairs, security, administration, Islamic affairs, economy and industry, and finance.



Originally restricted to discussion of regulations and issues of national and public interest, the mandate of Majlis Al-Shura was broadened in 2004 to include proposing new legislation and amending existing laws without prior submission to the King. It has always been able to request that government officials participate in key meetings and apply for access to government documents.

On April 7, 2003 the Majlis Al-Shura became a full membership of the Inter-Parliamentary Union.

Ministries

The Council of Ministers was established by King Abdulaziz bin Abdulrahman Al-Saud in 1953. It consists of the King who is the Prime Minister, the Crown Prince who is Deputy Prime Minister, and Cabinet ministers. Under the bylaws announced by the Custodian of the Two Holy Mosques King Fahd bin Abdulaziz Al-Saud in September 1993, the Council is responsible for drafting and overseeing the implementation of the internal, external, financial, economic, educational and defence policies, and general affairs of the state. The Council meets weekly and is presided over by the King or one of his deputies.

On April 30, 2003, King Fahd issued Royal Decrees renaming several ministries, and dissolving two of them, effective May 3, 2003, to give a cabinet of 21 ministers with portfolio and 5 ministers of state in addition to himself as Prime Minister and Crown Prince Abdullah as Deputy Prime Minister. On December 23, 2003 he decreed a sixth minister of state with special responsibilities for the affairs of the Consultative Council (Majlis Al-Shura). On March 22, 2004, the Ministry of Labour and Social Services was divided into two, so that there are now 22 ministers with portfolio. On July 24, 2005, a new minister of state was appointed, with special responsibilities for foreign

affairs. On March 25, 2011, King Abdullah issued a Royal Decree establishing the Ministry of Housing. There are now 23 ministries and 7 ministers of

Provincial system

Saudi Arabia is divided into 13 provinces. Each province has a governor, a deputy governor, and a provincial council.

These councils deliberate on the needs of their province, work on the development budget, consider future development plans, and monitor ongoing projects.

The governor and deputy governor of each province serve as chairman and vice-chairman of their respective provincial council.

Each council consists of at least ten private citizens. As with the Majlis Al-Shura, members of the council participate in committees that focus on various issues of interest to the province. The councils issue reports that are submitted to the Minister of the Interior, and then passed on to the appropriate government ministries and agencies for consideration.

The provincial council system is the result of bylaws established by King Fahd in 1992. These bylaws divided the country into 13 provinces and defined their administrative structure, how they would be administered, and the responsibilities of the governors and other regional officers. In 1993, King Fahd named 210 members to the provincial councils.

In 2005, municipal elections were held for half of the members of each of the 178 municipal councils in the Kingdom. The remaining half of the council members and the mayor are appointed. state, two of them with portfolio.

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Doing business in KSA



Ease of doing business

Country ranking

According to the World Bank Group's Doing Business 2020 report, Saudi Arabia was recognised as one of the top 10 global business climate improvers, given the country adopted a record number of business reforms in the past year.



Topic Scores



<ul style="list-style-type: none"> Starting a Business (rank) 38 Score of starting a business (0-100) 93.1 Procedures (number) 3.5 Time (days) 10.5 Cost (number) 5.4 Paid-in min. capital (% of income per capita) 0.0 	<ul style="list-style-type: none"> Getting Credit (rank) 80 Score of getting credit (0-100) 60.0 Strength of legal rights index (0-12) 4 Depth of credit information index (0-8) 8 Credit registry coverage (% of adults) 0.0 Credit bureau coverage (% of adults) 56.7 	<ul style="list-style-type: none"> Trading across Borders (rank) 86 Score of trading across borders (0-100) 76.0 Time to export Documentary compliance (hours) 11 Border compliance (hours) 37 Cost to export Documentary compliance (USD) 73 Border compliance (USD) 319 Time to export Documentary compliance (hours) 32 Border compliance (hours) 72 Cost to export Documentary compliance (USD) 267 Border compliance (USD) 464
<ul style="list-style-type: none"> Dealing with Construction Permits (rank) 28 Score of dealing with construction permits (0-100) 78.3 Procedures (number) 14 Time (days) 100 Cost (% of warehouse value) 1.9 Building quality control index (0-15) 12.0 	<ul style="list-style-type: none"> Protecting Minority Investors (rank) 3 Score of protecting minority investors (0-100) 86.0 Extent of disclosure index (0-10) 9.0 Extent of director liability index (0-10) 9.0 Ease of shareholder suits index (0-10) 7.0 Extent of shareholder rights index (0-6) 5.0 Extent of ownership and control index (0-7) 6.0 Extent of corporate transparency index (0-7) 7.0 	<ul style="list-style-type: none"> Enforcing Contracts (rank) 51 Score of enforcing contracts (0-100) 65.3 Time (days) 575 Cost (% of claim value) 27.5 Quality of judicial processes index (0-18) 11.5
<ul style="list-style-type: none"> Getting Electricity (rank) 18 Score of getting electricity (0-100) 91.8 Procedures (number) 2 Time (days) 35 Cost (% of income per capita) 27.9 Reliability of supply and transparency of tariff index (0-8) 6 	<ul style="list-style-type: none"> Paying Taxes (rank) 57 Score of paying taxes (0-100) 80.5 Payments (number per year) 4 Time (hours per year) 104 Total tax and contribution rate (% of profit) 15.7 Postfiling index (0-100) 32.2 	<ul style="list-style-type: none"> Resolving Insolvency (rank) 168 Score of resolving insolvency (0-100) 0.0 Recovery rate (cents on the dollar) No Practice Time (years) No Practice Cost (% of estate) No Practice Outcome (0 as piecemeal sale and 1 as going concern) 0 Strength of insolvency framework index (0-16) No Practice
<ul style="list-style-type: none"> Registering Property (rank) 19 Score of registering property (0-100) 84.5 Procedures (number) 2 Time (days) 1.5 Cost (% of property value) 0.0 Quality of the land administration index (0-30) 14.0 		



Company formation

The ongoing transformation of Saudi Arabia under the Vision 2030 plan is unlocking new opportunities at an unprecedented pace.

In June 2019, the Capital Market Authority announced the removal of the 49% ownership limit for foreign strategic investors in companies listed on the Saudi Stock Exchange (Tadawul). This will allow foreign strategic investors to own controlling stakes in companies listed in the Tadawul, the largest capital market across the Middle East and North Africa (MENA) region. The move follows four years of profound capital market liberalization, leading to the Tadawul receiving 'emerging market' status from leading index providers such as MSCI and FTSE. This inclusion has so far led to an unprecedented injection of \$14.4 billion by foreign portfolio investors in the first half of 2019.

According to figures from a special report issued by the Saudi Arabian General Investment Authority for the Summer of 2019, foreign direct investment inflows increased by 24% in Q1 2019. In the first half of the year, new foreign investor licenses rose by 85% and economic reforms implementation by the National Competitiveness Centre reached 55%.

On April 24th, Invest Saudi launched VENTURE, a new initiative aimed at attracting global venture capital (VC) firms to the Kingdom. The platform will provide streamlined licensing processes for VC portfolio companies, including an "instant licensing" service that takes less than 3 hours.

For traditional businesses, the common models which are applicable when considering setting up in Saudi Arabia, include:

Trading from outside of the country

This form of trading licence is available to foreign companies and investors, enabling them to trade within Saudi Arabia, without the need to form a physical presence. It is worth noting that this license will inhibit transactions with the public sector, who require a physical presence in the country. Such a licence can often be challenged as violating the Anti-Concealment Law; therefore it is recommended that operating through an agent is considered to avoid concerns.

Operate a business through an agent

This option enables the investor to trade within the country without requiring a physical presence or legal entity in the country. A contractual agency will represent the foreign principal under the commercial agencies law, which governs the arrangement and provides regulations on how the procedure is conducted.

Establish an LLC, local brand entity or joint-venture (JV)

The decision to establish an LLC, a branch or a joint stock company is determined by the nature of the business activity to be carried out in the country.

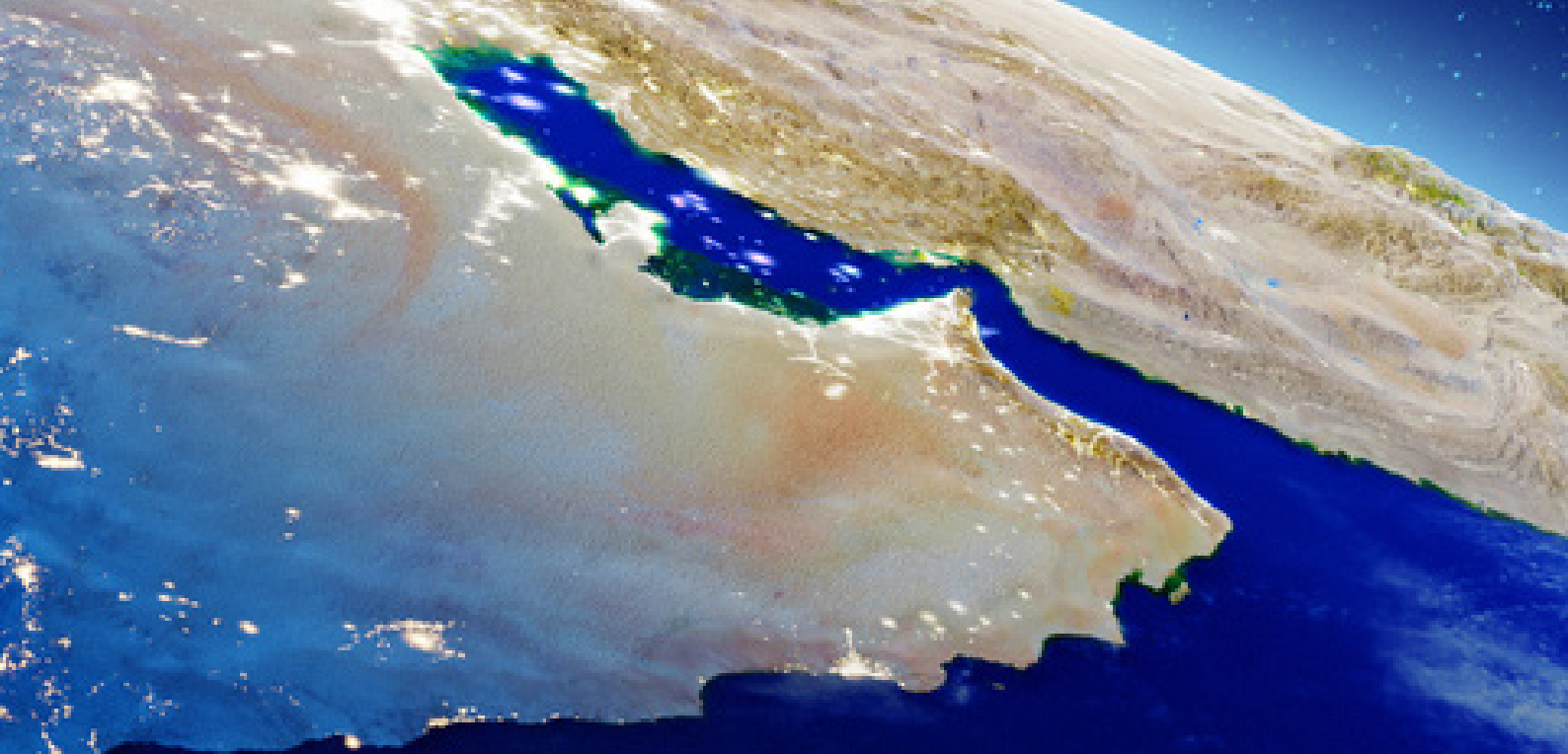
To establish under any of these entity structures, investors are required to work with the Ministry of Investment of Saudi Arabia (MISA), in order to obtain an investment license for the specific activity which they wish to conduct.

MISA provides an efficient online ecosystem, enabling an agile experience for investors to obtain the necessary information, including a negative list which highlights restrictive business activities to local nationals and GCC residents only, which include but is not limited to oil exploration, drilling and manufacturing equipment, security and detective services and real estate investment in Makkah and Madinah.

An investment manual from MISA can be downloaded [here](#), however in summary the requirements for an LLC or JV incorporation include:

Limited Liability Companies (LLC)

- MISA sets minimum capital requirements on foreign investors depending on the sector.
- Shareholders' agreements are enforceable only if the terms are in compliance with Shari'a and Companies Law.
- There must be a supervisory board of at least three members if the company has more than 20 shareholders.
- Share transfers should be approved by The Saudi Arabian General Investment Authority (SAGIA) and Ministry of



Commerce and Investment (MOCI) and must be offered to the other partners before third parties.

Joint-Stock Company (JSC)

- Owned by two or more individuals or entities.
- Capital is apportioned into negotiable shares of an equal amount
- Shareholders are liable only to the extent of the value of their holding.

Further, the Companies Law enables the following legal structures in order to operate within KSA

- General & Limited Partnerships;
- Partnerships Limited by Shares;
- Limited Liability Partnership;
- Technical and scientific office; and;
- Temporary Commercial Registration.

Registration Procedures for Limited Liability Companies

To incorporate a 100% foreign owned LLC, an investment license and a commercial registration should be obtained from MISA and MOC. In order to register with MISA, which should be completed prior to initiating a process with MOC, the following documents will be required, in Arabic.

- Investment license application form (obtainable from their website)
- A board resolution of the parent company approving the incorporation of the KSA entity. This should be legalised by the KSA Embassy in the country of issuance;
- Proof of experience in the industry the company wishes to engage in (e.g. audited financial statements of the foreign investor for the past 3 years);
- Copies of the parent company's constitutional documents legalised by the KSA Embassy in the country of issuance;
- A passport copy of the general manager;
- Third party approvals (if any);
- A copy of trade name confirmation; and

- Power of attorney appointing a third party to represent the parent company during incorporation.

Incorporation process

Once the initial investment license has been received from MISA, investors are required to register with several government authorities, ensuring that all documents and applications are submitted in Arabic. The authorities to register with include:

- MOC
- The Chamber of Commerce;
- The labour office;
- The Municipality;
- The General Organisation for Social Insurance (GOSI); and
- The General Authority for Zakat and Tax (GAZT).

Technical and scientific offices

A foreign-owned entity may obtain a technical and scientific services office license from MOC, in order to provide technical and scientific support such as market surveys and product research on behalf of the parent company. It is worth noting that such licences prohibit engaging directly or indirectly in any other commercial activity in KSA.

Temporary Commercial Registration (TCR)

A TCR is a restrictive license which enables investors to perform a government contract in KSA for a short period of time (temporary), where such contract is already agreed. The registration of such a license is similar to a branch set up, however no capital is required.

The in-kingdom total value add (IKTVA) programme

Saudi Aramco has implemented the IKTVA program which creates a score for each contractor or supplier who submits a tender for a Saudi Aramco project, which aims to measure their local value creation. IKTVA scores are calculated on an annual basis and companies are required to obtain a survey covering all their KSA operations and revenue.

Advisory

We offer a comprehensive range of advisory services to help you achieve your goals. We help you create, transform and protect value

Business Risk services

With an increased emphasis on globalisation and digitalisation, our teamwork with clients to navigate new emerging risks. They are well versed with local complexities and challenges; and along with having access to our global network of business risk professionals, can give both a local and global perspective. Our business risk services include:

- Internal audit
- Sarbanes-Oxley consulting (SOX)
- Enterprise risk management (ERM)
- Cyber-security
- Anti-fraud services
- Anti-bribery and anti-corruption
- Corporate governance compliance

Forensic services

Our forensic capability is integrated with our wider advisory services. It's not an add-on. With the help of our experienced investigators, forensic accountants and computer forensic specialists, our seamless team approach offers you a full range of expertise. Our forensic services include:

- Fraud and regulatory investigations
- Expert dispute resolution
- Digital forensics
- Cyber-security
- Insurance solutions

From finding ways to finance growth and manage risk; to identifying opportunities and getting the best from talent; our global network provides the expert support you need to thrive in a fast-changing world.

Transaction Advisory

Through our highly experienced team, we offer seamless access to a full range of transactional advisory services, ensuring you get maximum value from your deals. With market-leading teams in all key financial centres, we can advise wherever you are looking to acquire. Our transaction advisory services include:

- Mergers & Acquisitions
- Business plan and market research
- Private equity advisory
- Exit strategy services
- Performance improvement
- Valuations
- Restructuring
- Raising finance
- Tax structuring
- Financial reporting

Growth services

The environment which businesses operate in is increasingly complex, therefore managing business growth, planning and staying competitive is critical. We offer an approach that is tailor-made and have designed and developed growth services to support business at each phase of its growth.

With Saudi Vision 2030 and increased diversification within the Kingdom, the opportunities to drive the strategic growth agenda continue to increase. Our growth services include:

- Strategy services
- Operational excellence
- Business intelligence and analytics
- Technology advisory and implementation
- Outsourcing

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Tax landscape

The General Authority for Zakat and Tax (GAZT) is responsible for the management of taxes and is a department within the Ministry of Finance. Within the Kingdom the main taxes applicable are:

- Zakat
- Value-added tax
- Corporate income
- Excise Tax
- Withholding Tax

Zakat

Zakat is paid annually by Saudi and GCC nationals, within the provisions of Islamic law. The Zakat is an annual flat rate of 2.5% of the assessable amount, which include their share of adjusted profit for the year; or at 2.5% on the share of adjusted profit for the year, whichever is higher. The net assessable funds for Zakat comprises of the capital employed and long-term financing, less fixed assets, long-term investments and deferred costs.

Value-added tax (VAT)

VAT was introduced on January 1, 2018 at a rate of 5%, which is due to increase to 15% on 1 July 2020. When taxable persons sell a good or service, a 5% VAT charge is added to the final sales price. The taxable person will account for that 5%, separately from its revenue in order to later remit a portion of it to the authority, referred to as output tax. Similarly, the process applies to purchase transactions, in that VAT will be added at the rate of 5% to purchases of goods or services made from suppliers registered for VAT, referred to as input tax. Zero-rated VAT is also applicable.

Corporate Income Tax

20% is applied to non-Saudi/non-GCC share of the tax base in a resident and non-resident company which conducts business in the country through a Permanent Establishment (PE). The tax calculation will include taxable profit attributable to its operations inside and outside of Saudi Arabia. Payment of dividends to non-resident shareholders or remittance of profits

by a non-resident conducting business in Saudi Arabia through a PE will be subject to 5% withholding tax. The entities and subjects who qualify to pay corporate tax include:

- A resident company who has shares owned directly or indirectly by non-KSA/non-GCC individuals
- A resident non-national who conducts business activities in KSA;
- A non-resident who carries out activities in KSA through a PE;
- A non-resident who has other income subject to tax from sources within KSA;
- A person engaged in natural gas investment fields, oil and other hydrocarbon production.

Customs & Excise Tax

KSA is part of the GCC Customs Union, which was established to remove customs and trade barriers among the GCC member states. A common Customs Law and Unified Customs Tariff apply at a rate of 5% of goods, cost, Insurance and Freight value. There are certain items which are subject to 12% and 20%, that maybe locally produced.

KSA grants duty free imports to most national goods originating from other GCC member states; however it does prohibit the importation of harmful and offensive items which include weapons, alcohol, narcotics, pork, pornographic materials, distillery equipment, and certain sculptures.

Excise Tax is applicable on goods that are deemed harmful, with the tax being collected from the producer, the importer (the source) or an intermediary. Consequently person(s) intending to import, produce and/or hold excise goods under a tax suspension arrangement is required to register in Excise Tax with the GAZT within 30 days from the effective date. The amount of tax levied on the goods will be included within the price of subsequent sales



Withholding tax

All entities who are not resident and trade or provide services across the Kingdom are subject to withholding tax, often referred to as retention tax. According to the Implementing Regulations (“IR”) of the Income Tax Law, WHT shall be imposed on the total amount paid to the non-resident entity, notwithstanding expenses incurred to make the income; full allowances/ disallowances, as a deduction, of such payment.

Unless agreed under a tax treaty, the withholding tax rate applicable for non-resident entities is summarised as follows:

Dividend	5%
Interest & loan fees	5%
Royalties	15%
Management fee	20%
Rent, technical & consulting services, income from air tickets, air & maritime freight, international telecoms services and insurance/reinsurance premiums	5%
Other services where a portion of the services are conducted outside of the Kingdom	15%

Double tax treaties

Saudi Arabia has entered a double-tax treaty, which typically

follows the Organisation for Economic Co-operation and Development (OECD) Model, and provide certain relief, including withholding tax on dividends, interest, capital gains tax and royalties.

Transfer pricing

The transfer pricing requirements are principally aligned with the Transfer Pricing Guidelines published by the Organisation of Economic Development (OECD TP Guidelines). Along with the three-tier documentation requirements, taxpayers are also required to provide an annual transfer pricing return along with an Affidavit which is to be obtained from a Licensed Accountant, certifying whether the controlled transactions are consistent with the transfer pricing policy.

Personal income tax

KSA does not have a personal income tax regime, however social security contributions apply on a monthly basis, taking basic salary and housing allowance into consideration with an upper limit of SAR 45,000, computed at a rate of 2% for expatriate employees and paid by employers. For national employees, the total rate of 22% is applicable, with the employer contributing 12%.

Zakat and Taxation

Tax is a key part of our organisation and our award-winning teams can offer you a range of solutions, whatever the size of your business or the challenges you are facing

Across the globe, companies' tax affairs are facing increasing scrutiny from regulators, communities and clients. Successful organisations need a proactive approach to tax to show how they are meeting their obligations. A positive tax strategy can also increase your reputation for openness and transparency amongst clients and communities; helping your business unlock its potential for growth.

As a major global accounting network, we provide the benefits of working with a respected global name, whilst maintaining in-depth local knowledge of the countries in which we operate.

We offer a range of solutions, whatever the size of your business or the challenges you are facing. We use a combination of reason and instinct; and work with you to develop a strategy that helps you both understand and manage your tax liability in a transparent and ethical way.

Taxation services

Our tax services include:

- Direct international tax
- Global mobility services
- Indirect tax
- Private client services
- Transfer pricing
- Tax advisory
- Corporate tax
- Withholding tax issues
- Company registration and setup advice

Zakat services

Our Zakat services include:

- Zakat and tax compliance
- Zakat and tax delegation

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Accounting regulations

Companies are required to have annual independent audits with joint stock companies and limited liability partnerships required to appoint at least one independent auditor. Banks are required to appoint a certified public accountant member of the Saudi Organization for Certified Public Accountants (SOCPA) and licensed within KSA from MOC.

Accounting standards

Companies registered in Saudi Arabia are required to comply with the accounting standards issued by SOCPA. All companies must use IFRS Standards, along with other standards issued by the SOCPA, which include matters relating to Zakat.

The regulations require that financial statements should include the auditor's report, balance sheet, statements of income, cash flows, changes in the shareholder's equity and notes to the financial statements. Auditors are required to be licensed by SOCPA.

Accounting books and records

MOC requires that all companies and establishments (with capital that exceeds SAR 100,000) keep the following books of account locally in Arabic:

- Daily journal;
- General ledger; and
- Inventory book

Taxpayers must maintain Arabic accounting records within KSA.

Filing with MOC

All publicly-held and limited liability companies are required, on an annual basis, to file copies of the board of directors' report and audited financial statements with the MOC within six months after their financial year-end.

Assurance

We have the scope, depth and global reach to serve dynamic organisations in Saudi Arabia. Our team can provide you with assurance services that deliver real value and support investor confidence.

We approach each engagement with sharp thought, straight talk and common sense. In addition to verifying that financial results are fairly presented and meet applicable professional standards, we provide observations and insight into the real performance of your business.

We have a dedicated quality monitoring programme that focuses on the six elements of International Standard on Quality Control (ISQC) 1. Under this programme, our quality is reviewed by our international office who provide feedback on the design, implementation and operation of our assurance practice quality control.

This rigorous approach helps make sure we deliver consistent, quality services for our clients worldwide.

Assurance services

Our services include:

- Statutory audit
- External audit
- Limited review
- Specialised audits
- Agreed upon procedures
- Compilation assignments
- First time adoption of IFRS
- IFRS compliance
- Cybersecurity assessment and validation

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Managing talent

Immigration and visa requirements

Non-Saudi nationals may work in Saudi Arabia if they have prior approval from the Ministry of Labour and the Ministry of Interior. Similar to other Gulf Cooperation Council countries, Saudi Arabia has a sponsorship system, which means that expatriate workers can enter, work and leave the host country only with the permission or assistance of their sponsor. All individuals who come to Saudi Arabia to work must have a sponsor, which can be either a Saudi Arabian national or international company. A non-Saudi national may be employed for only a fixed term corresponding to the duration of his or her work permit and residency visa.

Nationalisation of workforce

Pursuant to the Nitaqat programme implemented by the Ministry of Labour, employers are classified based on the percentage of Saudi nationals that they employ. Establishments will be categorised as premium, green, yellow or red. In general, an employer benefits from being in a higher category through greater flexibility in recruiting and managing expatriate employees, and will face increased penalties when placed in a lower category.

Recruiting female workers

Women are permitted to work but are restricted from working in certain fields and are prohibited from working in hazardous jobs or industries, as set out in a list issued by the Ministry of Labour.

Women must work separately from any male employees (ie, in partitioned offices) and must have separate facilities. There are particular regulations with regard to women working in certain sectors (eg, factories, retail and kitchens).

The Nitaqat programme sets high targets for the employment of Saudi nationals. Under the Labour Law, 75% of the total workforce must comprise Saudi nationals. However, under Nitaqat, an employer will be given a quota for the employment of Saudi nationals commensurate with the number of employees and the sector in which the employer operates. Various subsidies and incentives are offered to encourage employers to meet and exceed quotas.

The Nitaqat programme and the immigration policy pose various considerations for enterprises looking to conduct business in Saudi Arabia and employ non-Saudi nationals:

- Every employer must have at least one Saudi national employee, regardless of size.
- Certain functions may be undertaken only by Saudi nationals.
- An employer must employ a Saudi national in a job before

employing a non-Saudi national in that job.

- Against this backdrop of promoting the employment of Saudi nationals, in practice, the termination of their employment can be problematic.
- Employers wishing to employ female workers must also take into account the unique legal environment of Saudi Arabia.
- Employers should be aware of their duty to contribute to the state pension scheme for Saudi national (Gulf Cooperation Council nationals are also entitled to pension contributions in accordance with their home country's pension schemes) employees on an ongoing basis. Further, on termination, employees are entitled to an end of service payment, which employers should accrue in their accounts during the employment period.

Several long-awaited employment law reforms have recently been implemented. In April 2015 the Council of Ministers approved 38 amendments to the Labour Law, including

- Training – employers are required to train their Saudi national employees with a view to enhancing their technical, administrative, vocational and other skills for the purpose of gradually replacing non-Saudi employees. Each employer is required to keep a record showing the names of the Saudi workers who have replaced the non-Saudi nationals. Establishments with 50 or more employees must now train 12% of their Saudi national employees (previously 6%).
- Probation – the maximum probation period has been increased from 90 days to 180 days.
- Fixed-term contract – the maximum permitted duration of a fixed-term contract has been extended from three years to four years. Further, as of October 2015, fixed-term contracts will be converted into indefinite contracts on the third renewal rather than the second, as previously.
- Work regulations – when preparing policies and regulations in line with the prescribed model prepared by the Ministry of Labour, employers may now obtain approval to incorporate additional rules.
- Whistleblowing reward – a financial reward of no more than 25% of the fine imposed on the employer will be given to individuals who assist inspectors by notifying the Ministry of Labour of an employer's non-compliance with labour regulations.

Sara Khoja, Partner
Clyde & Co

Legal landscape

The kingdom does not have a written constitution and is led by a monarchy structure. The legal system is based on civil law and relies on Shari'ah doctrines. Shari'ah has been supplemented by regulations issued by royal decree. Nevertheless, Shari'ah remains the primary source of law, especially in areas such as criminal and family.

In a bid to support vision2030, several new laws have been passed in order to enable an agile and more effective operation across the Kingdom.

Companies Law

Substantial amendments were made to the companies' law, predominantly in relation to Joint Stock Companies (JSC) and Limited Liability Companies (LLC), which included new requirements on how articles of association are recorded, and matters relating to the authorisation of director decision-making.

Saudi Bankruptcy Law

The Saudi Bankruptcy Law was issued in 2018, which establishes a framework of protection against bankruptcy for individuals, foreign and local companies. The law aims to support a debtor to reorganise its financial position and resume activities.

Data Protection;

Shari'a principles protect the privacy and personal data of individuals, along with several regulations which are applicable to certain industries, for example, in banking, which is regulated by the Saudi Arabian Monetary Authority (SAMA). Furthermore, companies may need to comply with the EU General Data Protection Regulation (GDPR) if they (i) process personal data of EU-based individuals (ii) offer goods or services to; or (iii) monitor the behaviour of, EU-based subjects.

Value-added tax

VAT is now applied (at a standard rate of 5%) which was effective from 1 January 2018, with the rate due to increase to 15% on 1 July 2020.

Cyber-law

The need to establish a safe online environment for individuals, enterprises and government has driven a substantial amount of legal and regulatory development in recent years. The Anti-Cyber Crimes Law was issued back in 2007 and remains the basis for establishing cyber offences in the Kingdom. It criminalises both a range of technology-enabled offences

(such as defamation or invasion of privacy using technological means) and crimes against IT systems (including unlawful access or interception of data).

The Communications and Information Technology Commission (CITC)

CITC has more recently issued regulations incorporating specific cyber and data security obligations on ICT providers, which include:

- the Information Security Policies and Procedures Development Framework for Government Agencies, which was developed by the Computer Emergency Response Team – Saudi Arabia (CERT-SA) to provide a framework for government entities to develop their information security procedures;
- the Cloud Computing Regulatory Framework, which establishes rights and obligations for both cloud service providers and cloud customers, including specific information security, content classification and data localisation requirements; and
- the Internet of Things (IoT) Regulatory Framework, which was published in 2019 and includes data security requirements that apply to IoT providers and implementers.

There are also regulations that apply to businesses in certain regulated sectors. The Saudi Arabian Monetary Authority (SAMA) has a Cybersecurity Framework that was published in 2017 and sets out a minimum set of information governance standards and controls for banks, insurance companies and other financial institutions

Getting credit:

Saudi Arabia strengthened access to credit with the introduction of a secured transactions law and a new insolvency law.

Protecting Minority Investors:

Saudi Arabia strengthened minority investor protections by increasing access to evidence at trial.

Resolving insolvency:

A new reorganization procedure allowing debtors to initiate restructuring of firms, improving voting arrangements in reorganization, improving the continuation of businesses and the treatment of contracts during insolvency proceedings has made resolving insolvencies much more efficient.

Aldar Audit Bureau
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Grant Thornton in Saudi Arabia



Supporting a vibrant economy in Saudi Arabia

“Aldar Audit Bureau, Abdullah Al-Basri & Co. (Grant Thornton Saudi Arabia), is a member firm of Grant Thornton International Ltd. As one of the world’s leading accounting and consulting firms we offer comprehensive assurance, tax and specialist advisory services to privately held businesses and public interest entities who span across a wide range of industries.

With over 30 years of experience in Saudi Arabia, we understand the needs of businesses who are dynamic, having worked with clients who range in size and industry. Our personalised local approach coupled with our global reach makes Grant Thornton Saudi Arabia the ideal advisers for organisations that are ambitious and want to grow.”

A different way of doing business

Privately owned, publicly listed and public sector clients come to us for our technical skills, ethical standards and high-quality capabilities. Our partners and teams invest the time to truly understand your business, giving real insight and a fresh perspective to keep you moving.

The Saudi Arabia practice has over 30 years of local experience and is supported by over 200 professionals, enabling us to provide a holistic yet varied perspective to your challenges.

Local feel, global team

We're here to help companies unlock their potential. We've got scale, combined with local market understanding. That means we're everywhere you are, as well as where you want to be

Dynamic organisations can achieve great things with the right support. You need advisers that deeply understand your business, your industry and your wider agenda for growth. Our capabilities, expertise and culture make us perfectly placed to fill that role.

We believe that Grant Thornton is the only organisation that can offer the powerful combination of true scale, excellent service and effective relationships to deliver added value to your business.

We invest the time to truly understand your business, giving real insight and a fresh perspective to keep you moving. We are agile with shorter decision-making chains and empowered teams; so you get the outcomes you need when speed matters.

Working across borders, our global network of International Business Centres (IBCs) and country desks are in place to coordinate international work and to effectively manage and enhance international business and relationships.



Our service lines

At Grant Thornton we offer

Assurance

- Statutory audit
- External audit
- Limited review
- Specialised audits
- Agreed upon procedures
- Compilation assignments
- First time adoption of IFRS
- IFRS compliance
- Cybersecurity assessment & validation

Transaction Advisory

- Mergers & Acquisitions
- Business plan and market research
- Private equity advisory
- Exit strategy services
- Performance improvement
- Valuations
- Restructuring
- Raising finance
- Tax structuring
- Financial reporting

Business Risk

- Internal audit
- Sarbanes-Oxley consulting (SOX)
- Enterprise risk management (ERM)
- Cyber-security
- Anti-fraud services
- Anti-bribery and anti-corruption
- Corporate governance compliance

Growth

- Strategy services
- Operational excellence
- Business intelligence and analytics
- Technology advisory and implementation
- Outsourcing
- Robotic Process Automation advisory

Forensic

- Fraud and regulatory investigations
- Expert dispute resolution
- Digital forensics
- Cyber-security
- Insurance solutions

Zakat and Taxation

- Direct international tax
- Global mobility services
- Indirect tax
- Private client services
- Transfer pricing
- Tax advisory
- Corporate tax
- Withholding tax issues
- Company registration and setup advice
- Zakat and tax compliance
- Zakat and tax delegation

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