

Saudi Business Guide: Legal and Economic Insights

THOUGHT LEADERSHIP



**GLOBAL
EXPANSION**



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01

INTRODUCTION

Saudi Arabia, the largest country in the Middle East, is known for its oil wealth and vast deserts. Since discovering oil in 1938, the Kingdom has transformed into a global economic powerhouse. The 1973 oil crisis boosted its economic and geopolitical status.

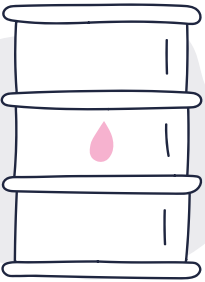
Recently, Saudi Arabia has been working to diversify its economy beyond oil. This effort is part of Vision 2030, a plan to promote sustainable development, attract foreign investment, and improve citizens' quality of life.

This guide offers an overview of the key legal, economic, and regulatory insights needed to do business in Saudi Arabia.



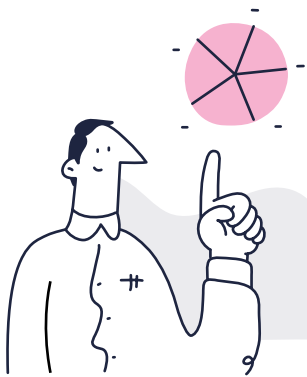
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GENERAL BUSINESS AND ECONOMIC CLIMATE



Economic Transformation:

The discovery of oil in 1938 marked the beginning of Saudi Arabia's economic transformation. By the 1970s, the Kingdom had become one of the world's leading oil producers. The 1973 oil crisis resulted in a significant increase in oil revenues, boosting the economy. In 2022, oil revenues reached \$311 billion, accounting for 43% of GDP.



Vision 2030:

Launched by Crown Prince Mohammed bin Salman in 2016, Vision 2030 aims to reduce the Kingdom's dependence on oil by diversifying the economy. Key sectors targeted include trade, logistics, tourism, technology, and finance. The Public Investment Fund (PIF) is a critical vehicle for investments in these areas, focusing on both domestic and international ventures.



Currency and Population:

The Saudi Riyal (SAR) is pegged at SR3.75 per USD, providing economic stability. The population stands at approximately 35 million, with a significant expatriate community from South Asia, Africa, and other Arab countries. While Arabic is the official language, English is widely used in business.

Government Resources:

- ▶ [Vision 2030 Official Site](#)
- ▶ [Saudi Arabian Monetary Authority](#)

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LEGAL SYSTEM

Islamic Law:

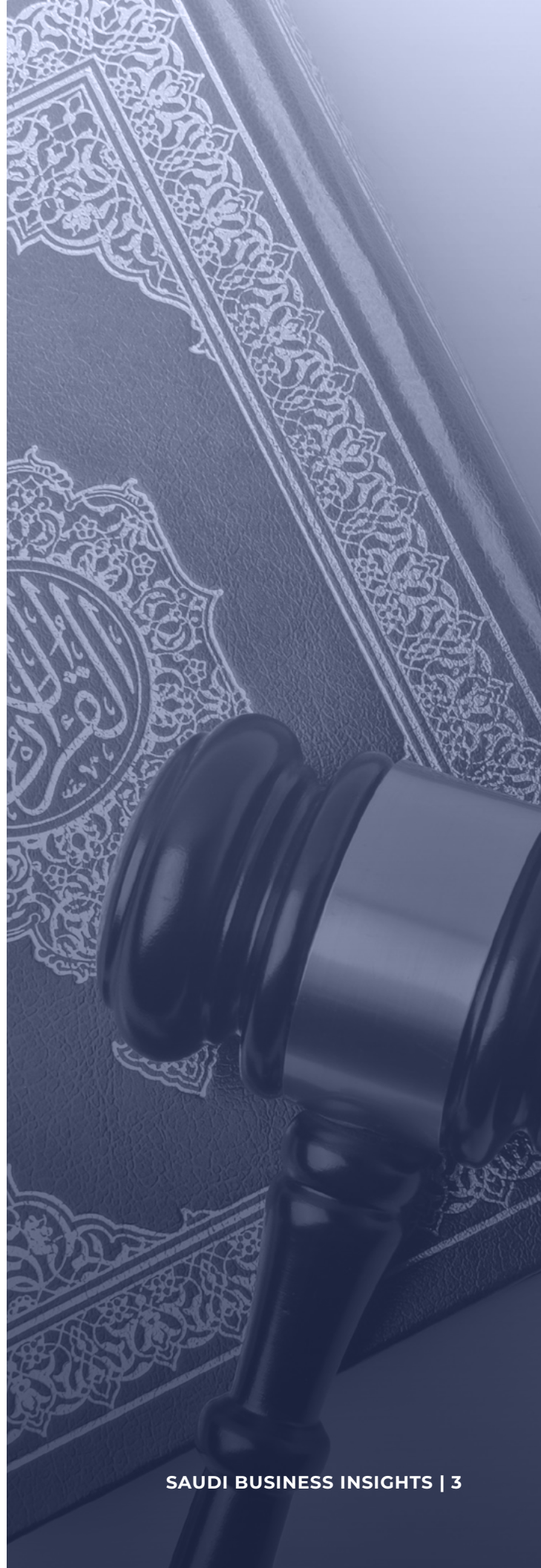
The Saudi legal system is based on Shari'a law, mainly following the Hanbali school of thought. The Qur'an and Sunnah are the main legal texts. The King has significant legislative powers but must work within the limits of Shari'a law.

Judicial Authority:

The Basic Law of Government divides power among three branches: Judicial, Executive, and Regulatory. Judges have significant discretion in interpreting Shari'a, and the legal system does not follow a precedent-based approach. Court decisions are not published, leading to variability in rulings.

Government Resources:

- ▶ [Saudi Ministry of Justice](#)
- ▶ [Basic Law of Government](#)



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FOREIGN INVESTMENT

Ownership and Licensing:

Foreign investors can own up to 100% of businesses in most sectors, except for strategic sectors such as oil and gas, banking, and media. Licenses are issued by the Ministry of Investment (MISA) based on business type, investment size, and economic impact.

AML and Exchange Controls:

The Saudi Riyal is fully convertible, but large transactions are scrutinized to prevent money laundering. Businesses must comply with Anti-Money Laundering (AML) regulations overseen by the Saudi Arabian Monetary Authority (SAMA).

Government Resources:

- ▶ [Ministry of Investment](#)
- ▶ [Saudi Arabian Monetary Authority](#)

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BUSINESS VEHICLES

Types of Entities:

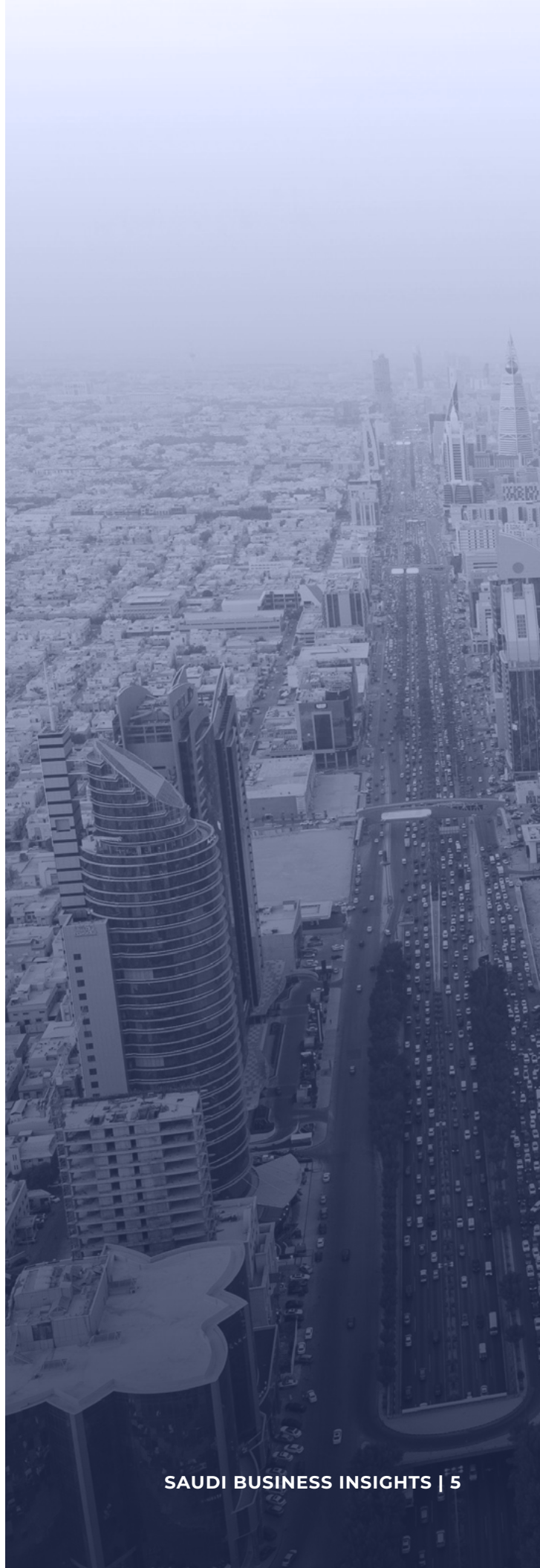
- ▶ **Limited Liability Company (LLC):**
Requires at least two shareholders, limited to 50, with liability restricted to their share in capital.
- ▶ **Joint Stock Company (JSC):**
Suitable for larger operations, requires a minimum of five shareholders and can be publicly listed.
- ▶ **Sole Proprietorship:**
Owned by one individual, exposing the owner to unlimited liability.
- ▶ **Branch Office:**
Limited to specific activities, not allowed for trading operations.

Formation and Reporting:

The process involves obtaining pre-approval, an investment license, drafting Articles of Association, and registration with the Ministry of Commerce. Annual financial statements and tax filings are mandatory.

Government Resources:

- ▶ [Ministry of Commerce](#)
- ▶ [General Authority of Zakat and Tax](#)



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EMPLOYMENT LAWS

Saudi Labor Law:

Applies to all employees within the Kingdom, excluding specific categories such as government and domestic workers. The law mandates written contracts, compliance with minimum standards, and adherence to Saudization policies, which aim to increase the employment of Saudi nationals.

Work Permits:

Foreign nationals require work permits and residency permits (Iqama), issued by the Ministry of Human Resources and Social Development (MHRSD). The process costs SAR 8,000 to SAR 12,000 and takes six to eight weeks.

Government Resources:

- ▶ [Ministry of Human Resources and Social Development](#)
- ▶ [Saudi Labor Law](#)



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TAXATION

No Personal Income Tax:

Neither Saudi nationals nor expatriates are subject to personal income tax. However, expatriates are subject to a levy paid by employers.

Corporate Taxes:

Saudi-owned companies pay Zakat, a 2.5% religious levy, while foreign-owned companies pay a 20% corporate income tax. The Value Added Tax (VAT) is set at 15% on most goods and services.

Government Resources:

- ▶ [General Authority of Zakat and Tax](#)
- ▶ [Zakat and Tax Regulations](#)

08

INTELLECTUAL PROPERTY RIGHTS

Types of IP Rights:

Intellectual property rights include copyrights, trademarks, patents, industrial designs, and trade secrets. These rights are enforced by the Saudi Authority for Intellectual Property (SAIP).

International Treaties:

Saudi Arabia is a member of the World Intellectual Property Organization (WIPO) and a signatory to international treaties such as the Berne Convention, Paris Convention, and Patent Cooperation Treaty.

Government Resources:

- ▶ [Saudi Authority for Intellectual Property](#)
- ▶ [World Intellectual Property Organization](#)



09 E-COMMERCE & MARKETING REGULATIONS

E-Commerce Law: Businesses must register, provide accurate product/service information, protect customer data, and comply with consumer protection laws.

Marketing Agreements: Governed by general contract law, with specific considerations for exclusivity and competition laws.

Government Resources: [Ministry of Commerce](#), [Saudi Consumer Protection Authority](#)

10 COMPETITION LAW

Regulation by GAC: The General Authority for Competition ensures compliance with the Competition Law, which prohibits practices like price-fixing, market sharing, and bid-rigging.

Dominant Position: Firms with a market share of 40% or more are subject to additional regulations to prevent anti-competitive practices.

Government Resources: [General Authority for Competition](#)

11 ENVIRONMENTAL REGULATIONS

Regulatory Body: The Ministry of Environment, Water, and Agriculture oversees environmental regulations. Businesses must conduct Environmental Impact Assessments (EIAs) and adhere to standards for air and water quality, and waste management.

Government Resources: [Ministry of Environment, Water, and Agriculture](#)

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MERGERS AND ACQUISITIONS

Merger Control:

Regulated by GAC, requiring notification and review if the transaction exceeds certain thresholds or results in a significant change of control.

Penalties for Non-Compliance:

Includes fines and potential voiding of the transaction.

Government Resources:

[General Authority for Competition](#)



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ANTI-BRIBERY AND CORRUPTION

Regulatory Framework:

Governed by the Criminal Code, Anti-Bribery Law, and other regulations. The National Anti-Corruption Commission investigates and prosecutes corruption cases.

International Compliance:

Saudi Arabia adheres to international anti-money laundering standards set by the Financial Action Task Force (FATF).

Government Resources:

[National Anti-Corruption Commission](#)



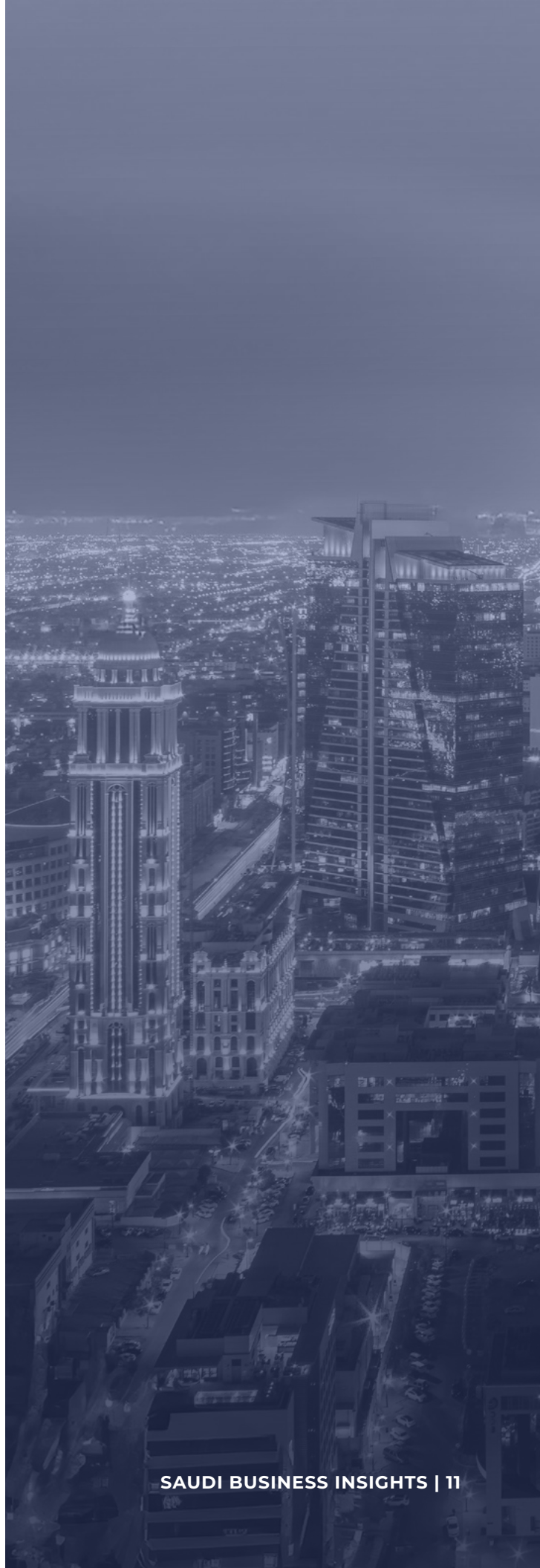
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SUCCEED IN SAUDI ARABIA'S EVOLVING MARKET

Saudi Arabia offers a growing business environment driven by Vision 2030. This plan aims to diversify the economy, attract foreign investment, and improve citizens' quality of life.

To succeed in Saudi Arabia, businesses must understand its legal, economic, and regulatory landscape. The government provides resources and incentives for foreign investors, stressing compliance and strategic planning.

Managing this market requires knowing the rules and aligning with the Kingdom's long-term goals. With the right approach, businesses can access the many opportunities Saudi Arabia offers as it moves towards a diversified and sustainable future.





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