

# SETTING UP BUSINESS IN SAUDI ARABIA



## General Aspects

Saudi Arabia, officially the Kingdom of Saudi Arabia, is a country in Western Asia constituting the vast majority of the Arabian Peninsula . With a land area of approximately 2,150,000 km<sup>2</sup> , Saudi Arabia is geographically the largest sovereign state in Western Asia, the second-largest in the Arab world , is bordered by Jordan and Iraq to the north, Kuwait to the northeast, Qatar Bahrain and the United Arab emirates to the east, Oman to the southeast and Yemen to the south. Saudi Arabia is the only country with both a read see coast and a Persian Gulf coast, and most of its terrain consists of arid desert, lowland, steppe and mountains.

The economy of Saudi Arabia is one of the top twenty economies in the world, and the largest economy in the Arab world and the middle east . Saudi Arabia is part of the G20 group of countries ,With a total worth of 34.4 trillion, Saudi Arabia has the second most valuable natural resources in the world. The country has the second-largest proven petroleum reserves, and is the largest exporter of petroleum in the world. It also has the fifth-largest proven natural gas reserves and is considered an "Energy Superpower".

The economy of Saudi Arabia is heavily dependent on oil, and is a member of OPEC.

## Legal Forms of Business Entities

Legal form	Feature	Remarks
<b>Sole Proprietorship</b>	Set up by a single natural person, who is fully liable for the debts contracted by the firm with his own present and future wealth. An entry in the commercial register as a registered business person.	Suitable for small businesses and start-ups. Special formalities are not required.
<b>Partnerships</b>	Partnership shall consist of a number of natural persons, of not less than two and not more than twenty, A partner in the partnership will acquire the capacity of the merchant and shall be considered as practicing the commercial business in the name of the partnership.	No minimum share capital is required and the accounting and publication obligations are less extensive than those for corporations.
<b>Limited Partnership</b>	Formed of the two following categories of partners whose names should be listed in the Partnership Agreement. a) General Partners: They shall manage the Partnership and realize its operations. They are also jointly and severally liable for all the Partnership's debts and liabilities with their private properties. b) Limited Partners: They shall contribute to the capital of the Partnership without having the right to manage the Company or to realize its operations, and the liability of each one of them towards the Company debts and liabilities is limited to his share in the capital of the Compan	

<b>Limited liability company</b>	Limited Liability Company is composed of two persons or more. The Company's liability shall be considered independent from the liability of every shareholder in it. The Company's assets and property shall be liable for its debts and obligations. The liability of any shareholder therein for these debts, obligations and losses is limited to its shares in the Company.	
<b>Private share holders</b>	Private Shareholding Company is comprised of two or more persons. The Minister may, upon a justified recommendation of the Controller, agree to the registration of a Private Shareholding Company formed of one person, or that the number of its shareholders may become one.	Company name shall not conflict with its objectives provided that it shall be followed by the term (Private Shareholding Company LTD) The capital of a Private Shareholding Company shall be the total nominal values of the Company shares provided that the subscribed capital shall not be less than SR 2M.
<b>Public shareholding company</b>	A Public Shareholding Company shall consist of a number of founders not less than two who subscribe for shares that can be listed on the Stock Exchange and may be negotiated and transferred in accordance with the provisions of this Law and any other legislation in force.	The authorized capital of the Public Shareholding Company and the subscribed part shall be fixed in Jordanian Dinars and shall be divided into nominal shares at a par-value of one Dinar each, provided that the authorized capital shall not be less than Ten million Saudi riyals (10,000,000)

There are the following other companies in Saudi Arabia law:

<b>Free zone</b>	There are no free zone in Saudi Arabia	The Saudi government start building NEOM city it should be free zone during few years
<b>Qualified areas</b>	There are no qualified areas	
<b>Non-profit Companies</b>	Non-profit companies may be registered in accordance with one of the types of companies provided for in this Law and in accordance with the provisions set forth in this Law.	These companies shall be registered in a special register named "Register of Non-Profit Companies." The company's provisions, conditions, objectives, work that it is permitted to practice, supervision, the method and manner of receiving assistance and grants, finance resources, spending method, liquidation and accrual of its money upon liquidation and death, and documents that should be submitted to the Controller and remaining related issues will be specified in pursuance to a special regulation issued for this purpose.

## Organizational Questions

Topic	Feature	Remarks
<b>Ministry of Commerce</b>	Companies of all legal forms must be entered in the Ministry of commerce The documents for register is available in electronic form <a href="https://mc.gov.sa/ar/pages/default.aspx">https://mc.gov.sa/ar/pages/default.aspx</a>	
<b>Trade Register Notification</b>	<a href="https://mc.gov.sa/ar/pages/default.aspx">https://mc.gov.sa/ar/pages/default.aspx</a>	All trade register made by Ministry of commerce by E-service
<b>Bank Account</b>	To open a bank account individuals need a valid passport and a valid ID stating that Saudi Arabia is the current place of residence. Companies need an excerpt from the commercial register and the articles of association of the company.	
<b>Transfer of Goods and Machinery</b>	Transfer of goods and machinery are shipped through the general authority of customs.	
<b>Transfer of Capital</b>	Capital can be moved in and out of Jordan without any restrictions for the companies registers in the free zone.	There is some regulations requirements and conditions should be meet
<b>Visa and Residence permit</b>	Visas are extracted from the Ministry of Foreign Affairs.	

## Employment

Topic	Feature
<b>Work permit</b>	<a href="https://hrsd.gov.sa/">https://hrsd.gov.sa/</a>
<b>Labour law</b>	<a href="https://hrsd.gov.sa/">https://hrsd.gov.sa/</a>
<b>Social system</b>	<a href="https://www.gosi.gov.sa/GOSIOnline/GOSIOnlineHomepage">https://www.gosi.gov.sa/GOSIOnline/GOSIOnlineHomepage</a>

# Taxation

Tax	Feature	Remarks
<b>Zakat &amp; tax income</b>	The zakat is taken from Saudi company 2,5% from zakat pool. Tax is taken from foreign companies 20% from net profit	
<b>VAT</b>	Every entity whose revenue exceeds \$100,000 must be recorded for VAT	The company made sales less than 40M it must submit VAT report quarterly The company made sales 40M or more it must submit VAT report monthly
<b>Personal Income Tax</b>	Personal income tax is not applicable in Saudi Arabia	
<b>Withholding tax</b>	Withholding tax is paid for any imported services or profit transfer 5% up to 20%	
<b>Excise goods tax</b>	Excise goods tax is paid for any bad goods like Tobacco product and sweetened drinks and energy drinks 50% up to 100%	





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