

DOING BUSINESS IN SAUDI Arabia



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- Apart from the obvious advantages of the Kingdom's geographical location and its easy access to Africa, Asia, and Europe, there is a lot of effort being made by the Saudi government to drive business to the Kingdom. The Saudi Arabian government launched the Vision 2030 initiative in 2016 to improve the Kingdom's investment climate, attract increased foreign investment, and encourage greater domestic and international private sector participation in its economy. The Kingdom is outlining some key business incentives and opportunities to attract investors. The Vision 2030 initiative is seeking to increase private sector's contribution from 40% to 65% of GDP.
- Key Benefits:
- Tax incentives offered to underdeveloped provinces in the Kingdom
- Rights to buy property and allow ventures to sponsor their own employees
- There is minimal income tax, and provide for VAT and custom duty exemptions
- **What are the Company Types possible in Saudi Arabia?**
- Commercial registration (and supporting licences) is issued by the Ministry of Investment Saudi Arabia ([MISA](#)) and the Ministry of Commerce ([MoC](#)). Registration through MISA is the first step in setting up a business in Saudi Arabia. Essentially, MISA is the gateway to recognition and permission to operate in the Kingdom. MISA's primary goal is to facilitate and encourage both foreign and local investment.

The principal business entities in the Kingdom include Limited Liability Company (LCC), Joint Stock Company (JSC) and Branch of a foreign entity. However, the most common is the Limited Liability Company (LLC) for which 100% Foreign Ownership is permissible through MISA. It is the most popular form of legal entity and attracts the most interest and traction from foreign investors. *Why?* Because 100% Foreign Ownership is applicable from day one. This makes it appealing to foreign investors, benchmarked against other 100% Foreign Owned initiatives in the wider GCC region. However, some activities e.g. Engineering & Consultancy do require a Saudi National Shareholder to be active in the business and become a true 25% Shareholder. MISA recognises the following legal entities:.



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- Saudi Arabia is the largest economy in the Gulf region and is becoming an increasing viable destination for foreign investors and companies to expand into to take advantage of the growing Saudi market.
- Recent regulatory changes in the Kingdom have also significantly increased the attractiveness for companies to set up - allowing 100% foreign ownership through the Ministry of Investment of Saudi Arabia (MISA) platform.
- This process, however, can be arduous and time consuming and using a Corporate Service Provider based in the Kingdom that can oversee the formation from initial registration to full operation will save time and money whilst the business concentrates on its expansion objectives and strategy. PRO Partner Group have their own on the ground PRO and Operations support service team to assist with all critical government registrations and industry sector specific regulatory approvals and well versed to assist fully in the KSA company formation process.
- **Limited Liability Co (LLC) - 100% foreign ownership permissible through MISA**
- A limited liability company (LLC) is popular among foreign investors into Saudi Arabia (KSA), individual personal liability for each shareholder is limited to their contribution to the share capital.

A LLC is one of the most common forms of legal entity opted for by foreign investors when making market entry to the Kingdom and is well regarded and widely used. The Ministry of Investment of Saudi Arabia (MISA) offers foreign ownership of a company in the KSA without a local partner and minimal government restriction. MISA registration/license is required for a business to establish with 100% foreign ownership in Saudi Arabia

Joint Stock Company in KSA

A Joint Stock Company (JSC) is likely the most regulated company type in Saudi Arabia (KSA). Through regulatory requirements for incorporation and the degree of control/involvement of the Ministry of Commerce and Industry (MOCI). The liability of a JSC lies with each shareholder, limited to their contribution to the share capita

Foreign company branch set up in KSA

These branches are considered to be an extension of their parent company. Branches can be established relatively quickly in comparison to LLCs and JSCs. A branch can be permitted by MISA licensing to perform a full range of activities. The branch can engage in both public and private sector projects and can promote/solicit its MISA licensed activity throughout the Kingdom. Otherwise, branches are not allowed to conduct promotion, marketing or trading activity.

Solidarity professional company / Sole Establishment in KSA

A sole establishment/proprietorship in Saudi Arabia (KSA) is referred to as an establishment.

This company type is suitable for small businesses. An establishment has an individual/sole trader, who has unlimited personal liability for the business and the licence is issued in their name – a company or corporate body cannot own the business. The sole proprietorship is not a legal entity and refers to the business owner who is personally liable.

Taxes and other cost

- A 100% Saudi entity is subject to 2.5% on profit or equity
- Foreign entities registered in Saudi Arabia are subject to 20% on net profits
- All types of entities have to pay social insurance at the rate of 2% on salaries
- Employees are entitled to end of service benefits according to labor Law Regulations

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