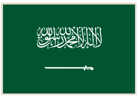

SAUDI ARABIA

LEGAL & TAX FRAMEWORK FOR INVESTMENT — AUGUST 2026 EDITION

Saudi Arabia has rebuilt its business law in three years: a new Companies Law in force since 19 January 2023, the **first codification of civil and contract law** on 16 December 2023, and the replacement in February 2025 of the 2000 foreign investment statute by a text that **abolishes the investment licence**. Market access is therefore no longer the hard part. The difficulty has shifted to three questions to settle early: the **split between corporate income tax and Zakat**, which follows the nationality of the shareholding rather than the nature of the activity; the **choice of establishment regime** — onshore, regional headquarters or special economic zone — which determines both the applicable rate and access to public procurement; and the **enforcement of arbitral awards**, where public policy retains a distinct effect on financial provisions.

POPULATION
≈ 37.0 M
World Bank, 2025

CURRENCY
RIYAL · SAR
pegged to the dollar at 3.75

GDP 2025
≈ USD 1,277 BN
SAR 4,789 bn — GASTAT

GDP PER CAPITA
≈ USD 34,537
World Bank, 2025

GROWTH 2025
+ 4.5%
GASTAT — non-oil + 4.9%

GROWTH 2024
+ 1.3%
GASTAT — oil − 4.5%

INFLATION
+ 1.8%
July 2026, year on year

BUDGET DEFICIT
3.3% OF GDP
2026 budget — SAR 165 bn

OIL AND GAS
17.1% OF GDP
68.7% of 2025 exports

OUTTURNS, NOT PROJECTIONS

The growth figures above are outturns published by the General Authority for Statistics (GASTAT). Projections for 2026 were revised several times during the first half of the year — the International Monetary Fund forecast was brought down from 3.1% to 1.7% between April and June 2026 — and are not reproduced here as a single figure. Oil and gas account for approximately **54% of budget revenue**; non-oil exports grew by **18.9%** in 2025.

A CODIFIED NATIONAL LAW, WITH NO UNIFORM REGIONAL LEGAL SPACE

No OHADA, and no equivalent. Saudi Arabia applies its own business law: company law (*Companies Law*, in force 19 January 2023), investment (Royal Decree M/19 of 11 August 2024), taxation (the 2004 Income Tax Law and its implementing regulations). No regional uniform act and no supranational court applies on top of them. **A recent — and retroactive — civil codification**: the *Civil Transactions Law* — Royal Decree M/191 of 19 June 2023, in force on 16 December 2023 — codifies obligations and contract law for the first time, in **720 articles**, with retroactive effect on ongoing situations; Sharia remains the residual source of law. **Onshore** (*mainland*): companies registered with the commercial register, direct access to the domestic market. **Four special economic zones** created in 2023 — King Abdullah Economic City, Ras Al-Khair, Jazan and the dedicated *cloud computing* zone — alongside the Riyadh integrated logistics zone. **The Regional Headquarters programme** (RHQ) is not a zone but a status: it conditions access to public procurement.

ONSHORE, SPECIAL ECONOMIC ZONE AND REGIONAL HEADQUARTERS: THREE DISTINCT RATIONALES

	ONSHORE	SPECIAL ECONOMIC ZONES	REGIONAL HEADQUARTERS (RHQ)
Purpose	Domestic market: distribution, services, industry, local contracts	Industry, logistics, processing, data centres	Regional management and support of a group, from Riyadh
Taxation	20% on the foreign share; Zakat 2.5% on the Saudi and GCC share	**5% for 20 years**, renewable; **0%** withholding tax on a permanent basis on profits taken out of the zone; 0% VAT on intra-zone goods. Riyadh logistics zone: **0% for 50 years**.	**0% corporate income tax** on qualifying income and **0% withholding** on payments to non-residents, **30 renewable years**
Foreign ownership	100% in most sectors	100%	100%
Watch point	The regime follows the shareholding, not the activity: a change of shareholder changes the tax / Zakat split.	Services supplied from the zone remain under the standard VAT regime. Substance rules under consultation since 2026.	Presence required in ≥ 2 other countries, 15 full-time employees within 1 year including 3 executives, start-up within 6 months.

THE SCCA: A MODERN ARBITRATION CENTRE, AND A PUBLIC POLICY LIMIT

The **Saudi Center for Commercial Arbitration** (SCCA) administers proceedings under its **2023 Rules**, applicable to arbitrations filed on or after 1 May 2023. Their main innovation is the *SCCA Court*, an independent body whose decisions on tribunal constitution, challenges and consolidation bind the parties. Statutory framework: Royal Decree No. M/34 of 16 April 2012, largely modelled on the 1985 UNCITRAL Model Law, together with the 2013 Enforcement Law.

	WHAT WORKS IN FAVOUR OF ARBITRATION	THE LIMIT TO BUILD IN AT DRAFTING STAGE
Enforcement	Across more than **4,000 challenges** examined over three years, some **90% of awards upheld** — annulment rate of around **8%**. No review of the merits.	An award must not conflict with Saudi public policy or with Sharia principles. The 2012 Law did not remove that requirement: it survives as a self-standing ground for refusal.
New York Convention	A party since **1994**.	Accession subject to a **reciprocity reservation**: recognition confined to awards made in a contracting State applying reciprocity.
Financial provisions	Heads of claim awarding **interest** (*riba*) are in principle **unenforceable**. Handled at drafting stage: liquidated damages rather than an interest mechanism, remuneration consistent with Islamic finance principles, severability of heads of claim.	

CORPORATE FORMS AND USUAL STRUCTURING

FORM	REGIME	TYPICAL USE
LLC — limited liability company	**No statutory minimum capital** since the 2023 Companies Law. Minimum amounts may follow from licensing conditions or a sector regulator.	The most common form: trade, distribution, services, industry
SJSC — simplified joint stock company	Created in 2023: **no minimum capital**, **single shareholder permitted**, share classes and securities giving access to capital.	Start-ups, joint ventures, investment vehicles
JSC — joint stock company	Minimum issued capital of **SAR 500,000**, 25% paid up.	Larger projects, preparation for a listing
Branch of a foreign company	Registration with the Ministry of Investment; activity confined to the authorised object.	Performance of a specific contract, presence without a subsidiary
Regional headquarters (RHQ)	A status, not a corporate form: it sits on top of an entity registered in Riyadh.	Regional management, access to public procurement

The 2023 Companies Law gave statutory recognition to tag-along and drag-along provisions (the latter beyond 90% of the capital) — previously purely contractual.

TAX REGIME — THE ESSENTIALS

TAX	RATE	DETAIL
Corporate income tax	20%	On adjusted net profit. Applies to the share attributable to non-Saudi and non-GCC interests, and to permanent establishments of non-residents.
Zakat	2.5%	Saudi and GCC shareholders. Computed on the **Zakat base** — adjusted net worth — and **not on profit**: a loss-making company may still be liable.
Mixed shareholding	PRO RATA	Foreign share to corporate income tax, Saudi and GCC share into the Zakat base — both regimes coexist within one company.
Oil and hydrocarbons	50-85%	Depending on the level of investment. Specific natural gas regime abolished on 1 January 2018.
VAT	15%	Introduced at 5% on 1 January 2018, **increased to 15% on 1 July 2020**. The 5% GCC framework rate no longer reflects the law in force.
Withholding tax	5-20%	Dividends 5%, interest 5%, royalties 15%. Services at 5%, 15% or 20% depending on characterisation — that of technical services being a **recurring source of dispute**.
Global minimum tax	NOT TRANSPOSED	Neither a domestic top-up tax (*DMTT*) nor an income inclusion rule to date — a position **differing from the UAE and Qatar**, which have applied it since 2025.
Personal income tax	NONE	No personal income tax, for Saudi nationals or expatriates.
Real estate transaction tax	5%	On the disposal value. In force since 10 April 2025: return required **before any notarised deed**.
Excise duties	50-100%	Tobacco 100%, energy drinks 100%, soft drinks 50%. In force since 11 June 2017.
Customs duties	≤ 25%	Goods originating outside the GCC.
Filings	120 D	Filing and payment within 120 days of year-end; three instalments of 25%. Electronic invoicing mandatory.

Sources: ZATCA, Ministry of Investment, PwC Worldwide Tax Summaries. The draft new corporate income tax law, out for consultation since late 2023, has not been enacted: the reference text remains the 2004 law.

FOREIGN INVESTMENT AND ATTRACTIVE SECTORS

The licence abolished, registration retained. Royal Decree M/19, in force since February 2025, abolishes the foreign investment licence and its fees in favour of **simple registration** with the Ministry of Investment (indicatively ≈ 10 working days), within a unified framework applying to Saudi and foreign investors alike. The "negative list" gives way to **excluded activities** — prohibited (upstream oil, services connected with the Hajj and Umrah, living marine resources) or restricted; commercial agency and distribution remain reserved to nationals. **New obligation**: information must be updated within the 60 working days preceding the expiry of the registration. **Real estate**: Royal Decree M/14, in force since January 2026, replaces capital-threshold approvals with **geographic zoning** (designated zones in Riyadh and Jeddah); Makkah and Madinah are governed by a specific regime. **Sectors**: energy; **mining** — resources reassessed at ≈ USD 2,500 bn, foreign ownership raised to 100% by the 2021 Mining Investment Law; tourism and leisure; data centres. Sovereign wealth fund: **USD 1,210 bn** of assets at end-2025.

FOREIGN EXCHANGE AND EMPLOYMENT

The riyal is **pegged to the dollar at SAR 3.75**. The **Saudi Central Bank** — which has retained the acronym SAMA since the royal decree of 25 November 2020 changed its name — publicly describes the peg as a strategic choice and an anchor of monetary stability; net foreign assets stood at USD 437 bn at end-2025. **No general exchange controls**: no transfer restriction, no prior central bank approval. **Free repatriation** of profits, capital and capital gains, subject to applicable withholding taxes and anti-money-laundering rules — banking compliance checks remain the main point of friction, to be anticipated when the account is opened.
Employment — the Nitaqat scheme. Each employer is placed in a colour band (red, low green, medium green, high green, platinum) according to the proportion of Saudi employees, by activity and by size. The red band removes the right to recruit foreign workers and may remove the right to renew residence permits. **The "low green" trap**: technically compliant, yet no new visa and no change of profession on a residence permit — target **medium green as a minimum**. Several functions remain reserved to nationals.

SECURING THE INVESTMENT – THREE UNDERESTIMATED POINTS

1. Zakat is not a tax on profit — a loss-making company may owe it. It is computed on adjusted net worth: equity, provisions and long-term funding, less certain fixed assets. A company in its investment phase, heavily capitalised and still loss-making, is exposed to it while paying no corporate income tax. The funding structure — equity against intragroup debt — has a direct effect on the charge.
2. "The licence has been abolished" does not mean entry is unrestricted. The list of excluded activities remains enforceable and evolves; the annual update obligation is new; sector regulators impose their own conditions, including on capital, where company law no longer does.
3. An arbitration clause drafted without regard to public policy produces a partially unenforceable award. An investor obtaining principal plus default interest may enforce the principal alone. Preventive treatment: liquidated damages, severable heads of claim, and the reciprocity reservation checked against the chosen seat.

ONSHORE, SPECIAL ZONE OR REGIONAL HEADQUARTERS: THE DECIDING CRITERION

The question turns on the **destination of the activity**, not on the headline rate. The domestic market belongs onshore: the zone advantage dissipates once goods enter the customs territory. Industry, logistics and processing take full advantage of the 5% rate over twenty years. A group targeting **public procurement** has no choice: a regional headquarters in Riyadh is the condition of eligibility above one million riyals. A **joint venture with a Saudi partner** calls for prior modelling: the tax / Zakat split makes the tax cost dependent on how the capital is divided.

OUR SUPPORT IN SAUDI ARABIA

UGGC Africa supports you in Saudi Arabia through its pan-African platform. Structuring between onshore, special economic zone and regional headquarters, corporate income tax / Zakat split, dividend repatriation, arbitration clauses. Contact: **africa@uggc.com** — uggcafrica.com

Disclaimer. This factsheet is provided for general information purposes, as at August 2026; it does not constitute legal or tax advice and cannot bind UGGC Africa. Rates, zone regimes and foreign ownership rules change rapidly in the Gulf — any investment decision calls for a tailored analysis. **Sources:** ZATCA, Ministry of Investment, Saudi Central Bank (SAMA), GASTAT, Saudi Center for Commercial Arbitration, PwC Worldwide Tax Summaries, IMF, World Bank.