DOING BUSINESS IN SAUDI ARABIA

2017

DOING BUSINESS IN SAUDI ARABIA

2017

INTRODUCTION

The aim of this publication, which has been prepared for the exclusive use of BDO Member Firms and their clients and prospective clients, is to provide the essential background information on setting up and running a business in Saudi Arabia. It is of use to anyone who is thinking of establishing a business in Saudi Arabia as a separate entity, as a branch of a foreign company or as a subsidiary of an existing foreign company. It also covers the essential background tax information for individuals considering coming to work or living permanently in Saudi Arabia.

This publication describes the business environment in Saudi Arabia and covers the most common forms of business entity and the taxation aspects of running or working for such a business. For individual taxpayers, the important taxes to which individuals are likely to be subject are dealt with in some detail. The most important issues are included, but it is not feasible to discuss every subject in comprehensive detail within this format. If you would like to know more, please contact the BDO Member Firms with which you normally deal, who will be able to provide you with information on any further issues and on the impact of any legislation and developments subsequent to the date mentioned below.

Founded in Europe in 1963, the BDO network has grown to be the fifth largest in the world — it now has 1084 offices in 120 countries, with more than 47 000 partners and staff providing professional auditing, tax and consulting services on every continent.

BDO's special skills lie in applying its local knowledge, experience and understanding of the international context to provide an integrated global service. In BDO, common operating and quality control procedures are not a constraint on innovation and independence of thought, but the starting point. It is a vigorous organisation committed to total client service.

BDO's reputation derives from consistently offering imaginative and objective advice within the client's time constraints. BDO Member Firms take pride in their clients' success and in their relationships with their clients. It is a personal relationship that combines the benefits of professional knowledge, integrity and an entrepreneurial approach, with an understanding of a client's business and an ability to communicate effectively. This ensures the highest-quality objective professional service, tailored to meet the individual needs of every client, whether they be governments, multinational companies, national or local businesses, or private individuals.

Service provision within the international BDO network of independent member firms ('the BDO network') is coordinated by Brussels Worldwide Services BVBA, a limited-liability company incorporated in Belgium with its statutory seat in Brussels. Each of BDO International Limited (the governing entity of the BDO network), Brussels Worldwide Services BVBA and the member firms is a separate legal entity and has no liability for another such entity's acts or omissions. Nothing in the arrangements or rules of the BDO network shall constitute or imply an agency relationship or a partnership between BDO International Limited, Brussels Worldwide Services BVBA and/or the member firms of the BDO network.

BDO is the brand name for the BDO International network and for each of the BDO Member Firms.

The information in this publication is up to date to August 2015.

Doing Business in Saudi Arabia has been written by BDO Dr Mohamed Al-Amri & Co, the Saudi Arabian member firm of BDO. Its contact details may be found at the end of this publication.

Brussels Worldwide Services BVBA
Boulevard de la Woluwe 60
1200 Brussels
Belgium
Tel: +32 2 778 0130
Fax: +32 2 778 0143
bws@bwsbrussels.com
http://www.bdointernational.com

CONTENTS

1. THE BUSINESS ENVIROMENT

GENERAL INFORMATION

Geography and climate

The Kingdom of Saudi Arabia is the largest country in the Arabian Peninsula and occupies some 2.3 million km^2. It is bounded to the west by the Red Sea; to the north by Jordan, Iraq and Kuwait; to the east by the Arabian Gulf, the United Arab Emirates, Qatar and Bahrain, and to the south by the Sultanate of Oman and Yemen. Much of the country is desert.
The Kingdom is divided into four principal regions:

- The Western Region (Hejaz), which borders the Red Sea and in which the major sea port of Jeddah, the industrial city of Yanbu and the Muslim Holy Cities of Makkah (Mecca) and Medina are situated.
- The Central Region (Najd), which is situated on the central plateau, is the largest of the provinces and contains the capital, Riyadh, the seat of government.
- The Eastern Region (Al Hasa), in which the three closely situated cities of Al Khobar, Dhahran and Dammam comprise the regional centre, contains the industrial city of Jubail (twin of Yanbu in Western Province) and the oil port of Ras Tanura. The Kingdom's principal oil reserves and associated installations are located in this region.
- The Southwest Region (Asir) has some agriculture but is predominantly a mountainous region bordering Yemen.

Whilst the climate in Saudi Arabia is mainly warm and dry, variations occur between the regions. Riyadh, being far inland, has a continental climate, i.e. much hotter than Jeddah in midsummer but colder in midwinter. Temperature in the capital in June, July and August can reach 49ºC in the shade and average about 13ºC from December to February, dropping to near freezing point at night. Humidity is low and therefore less tiring than that of the coastal cities.

The Western province climate is similar to that of Riyadh during summer but with higher humidity and during winter time is very moderate. The Eastern province including Jubail Industrial area is very similar to Riyadh with higher humidity.

1. THE BUSINESS ENVIROMENT

GENERAL INFORMATION : CONTINUED

History

Before the coming of Islam, the Arabian Peninsula was largely occupied, to the extent it was so at all, by nomadic tribes. The Arab tribes of the peninsula were united by Muhammad, the Prophet of Islam, in the first decades of the 7th century, and after his death, the Arabs conquered vast areas of the Middle East, Central Asia, North Africa and Southern Europe. In succeeding centuries, although it remained of utmost religious importance, the political influence of the Arabian Peninsula declined. The Ottoman Empire conquered Hejaz, Asir and Al Hasa in the 16th century, and continued to claim suzerainty over the whole Arabian Peninsula until its collapse at the end of the First World War.

From 1902, however, Abdul-Aziz bin Saud, the head of the Al Saud (the Saudi royal family), began to extend his authority over increasingly larger areas of the Peninsula. Following the Arab revolt against the Ottoman Empire in 1916, and the Empire's dissolution, Abdul-Aziz bin Saud was declared King of the Hejaz in 1925 and King of Nejd the following year. In 1932, the two kingdoms were united under the name of *Al-Mamlaka al-ʻArabiya as-Suʻūdiyya*, the usual English translation of which is the Kingdom of Saudi Arabia, within its present borders.

Government and political powers

The Kingdom of Saudi Arabia is a monarchical state, under a hereditary monarchy. The head of state, King Salman bin Abdul Aziz Al-Saud, whose official title is the Custodian of the Two Holy Mosques, succeeded to the throne in 2015 on the death of his brother, King Abdullah.

The King, who is also the Prime Minister, and a Council of Ministers (*Majlis al-Wuzarā*) form the executive and legislative branches of the Government, responsible for formulating the country's economic policy and guiding development.

The Council of Ministers is supported by a Consultative Council — the Shura — which has 150 distinguished men of the Kingdom as its members, appointed by the King. Being the cradle of Islam, the Kingdom's legal system and laws are based on Sharia Islamic principles. The laws and regulations applicable to all businesses are promulgated by Royal Decrees. Their interpretation and implementation procedures are encoded in Ministerial Resolutions, issued from time to time. The Kingdom is divided into 13 provinces, the administration of which is presided over by governors.

1. THE BUSINESS ENVIROMENT

GENERAL INFORMATION : CONTINUED

Population and language

According to the Saudi Department of Statistics and Information, the Kingdom has a population of 31.7 million, including 12.2 million expatriates from different parts of the world.

Arabic is the official language of the Kingdom. Whilst English is widely spoken in business and government circles, all correspondence with the government authorities is conducted in Arabic.

Currency

The currency of Saudi Arabia is the Saudi riyal (international abbreviation SAR), which is subdivided into 100 *halala*. The riyal is pegged to the US dollar at the rate of USD 1 = SAR 3.75. At the time of going to press (early May 2017), the riyal was quoted against the euro at SAR 4.0881 = EUR 1.

Time, weights and measures

Saudi Arabia is three hours ahead of Greenwich Time (GMT+3 hours). There is no daylight saving time.

The official calendar is the Hijra calendar, based on lunar months (of 29 or 30 days). The Hijra year is hence 10 or 11 days shorter than the Gregorian calendar year.

The religious holidays thus fall on different Gregorian days from year to year. The Gregorian year 2017 roughly corresponds to Hijra 1438.

Saudi Arabia uses the metric system: gram, metre, litre, degrees Celsius.

Business hours

The week commences on Sunday and extends through Thursday, Friday and Saturday being the weekend. Some businesses work half day on Saturday.
Private Sector and Government office hours vary between business, cities and government departments but may broadly be summarised as follows:

Government:	07:30 to 14:30
Private sector:	08:00 to 17:00
	or
	08:00 to 13:00 - 17:00 to 20:00

1. THE BUSINESS ENVIROMENT

GENERAL INFORMATION : CONTINUED

Business entities

The formation and operation of business entities in Saudi Arabia are regulated by the Companies Law, promulgated by a Royal Decree in 1965, as amended in 1967, 1982 and 2015 by subsequent Royal Decrees. The provisions of the Companies Law are extensive and cover all types of commercial activities in the Kingdom.

The Companies Law recognises five principal types of business entity, which are:

- General partnership
- Limited partnership
- Joint venture
- Joint-stock company
- Limited-liability company

As mentioned below, increasing encouragement is being given for foreign investment to take the form of joint-stock companies or limited-liability companies, as many of the other forms require a degree of unlimited liability and are thus less appealing.

Other forms of foreign investment include representative offices and agencies. A foreign investor is also allowed to set up a branch in the Kingdom.

General partnership

A General Partnership is a partnership established between legal persons who are jointly liable for the partnership's debts and obligations to the extent of their property. A partner in a general partnership shall acquire the same capacity of a merchant.

Limited partnership

A Limited Partnership is a partnership comprising two parties of partners: one party comprising at least one (1) general partner who shall be liable, to the extent of all of his property, for the partnership's debts and obligations, and the other party comprising at least one (1) dormant partner who shall not be liable for the partnership's debts and obligations except to the extent of his share in the capital. A dormant partner will not acquire the capacity of a merchant.

Joint Venture

A Joint Venture is a partnership that: hides itself from third parties; does not have a legal personality; is not subject to the publication provisions; and is not registrable in the Commercial Register.

The Joint Venture Agreement shall include the objects of the Joint Venture, the partners' rights and obligations, the method of management, and distribution of profits and losses to the partners, in addition to other terms and conditions.

Joint Stock Company

A joint stock company is a company whose capital is divided to negotiable shares of equal value, and it will be solely liable for the debts and obligations arising from the carrying on of its activities.

Each joint stock company shall have a name that reflects its object. Such name may not include the name of a natural person, unless: the object of the company is an investment of a patent registered in the name of that person; the company has acquired a commercial enterprise and taken the name of that enterprise as a name for it; and the name of the company was the name of a company that was converted into a joint stock company and its name included a name of a natural person. If the company is owned by one person, its name must indicate that it is a One Person Joint Stock Company.

Upon incorporation of the company, the capital must be sufficient to achieve its objects. In no event may the capital be less than Five Hundred Thousand Saudi Riyals. Further, the paid-up capital as at the date of incorporation must not be less than one quarter.

1. THE BUSINESS ENVIROMENT

GENERAL INFORMATION : CONTINUED

Limited-liability company

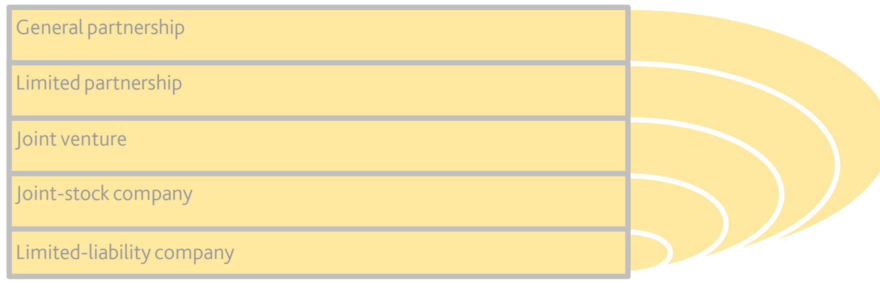
A limited liability company is a company in which the number of partners in it is no greater than fifty. The financial liability of such company shall be independent from that of each partner in it. The company alone will be liable for its debts and obligations, and the owner of the company or a partner in it shall not be liable for such debts and obligations.

If the number of partners becomes in excess of fifty partners, the company must be converted into a joint stock company within a period no greater than one year, failing which the company shall be dissolved by operation of law, unless such excess is the result of inheritance or bequest.

The company is required to transfer 10% of net profits each year to a legal reserve until such reserve reaches a level of 30% of the paid-up share capital.

Per Article 181 of the Law where the losses of a limited liability company become equal to or exceed one half of its capital, the managers of the company must record this development in the commercial registration and call the partners to a meeting within a period no greater than ninety days from the date on which the managers become aware that the losses have reached that percentage in order to determine whether the company shall continue to exist or be dissolved. The partners' resolution regarding continuation or dissolution of the company shall be published in such manner as set forth in Article 158 of the Law. The company shall be deemed to be non-existent by operation of law if the company's managers fail to invite the partners or if the partners fail to pass a resolution regarding continuation or dissolution of the company.

Types of business entities in Saudi Arabia:



1. THE BUSINESS ENVIROMENT

GENERAL INFORMATION : CONTINUED

Licensing and registration

The establishment of a business presence in the Kingdom by a foreign company or an individual, whether in the form of a wholly owned subsidiary company, a Saudi limited-liability company, partnership etc, requires an investment licence from the Saudi Arabian General Investment Authority (SAGIA) under the Foreign Investment Regulations.

Provided all documentation is complete at the time the application is submitted, the SAGIA is required to evaluate the investment request and give its decision within 30 days. If this period elapses without a decision by the SAGIA, it is obliged to issue the required licence to the investor.
If an application is turned down by the SAGIA it must give reasons for its decision. The applicant has the right to appeal against the SAGIA's decision.

In order to ensure that the licensing process is made efficient, the SAGIA has set up an Investors Service Centre (ISC) as a 'one-stop shop' operation to eradicate all bureaucratic red tape.

All applications for new licences or for the modification of existing ones are now processed through the ISC. In addition, the ISC provides the following services to potential investors:

- Provides information to potential investors on the investment opportunities in the Kingdom as well as guidance on applicable rules and regulations, such as Foreign Investment Regulations, company law, employment law, income tax regulations etc.
- Assists applicants in completing the necessary forms and fulfilling the documentary requirements.
- Provides post-licensing services to prospective investors, through representatives of various government ministries based at the SAGIA, in obtaining all the necessary permits and approvals required to commence operations, such as the company's registration in the Companies Register and obtaining a Commercial Registration Certificate from the Ministry of Commerce.

1. THE BUSINESS ENVIROMENT

GENERAL INFORMATION : CONTINUED

Sponsorship, agencies and representative offices

Alternatively, a foreign company or an individual can undertake business in the Kingdom through a Saudi sponsor or agent, as a branch office or as a representative office for liaison of its operations in the Kingdom. All of these activities are governed by various specific government regulations. A sponsored company cannot have its own legal presence in the Kingdom. The functions of a sponsored company are restricted to the supply of goods or services including supply of personnel to the sponsor provided those personnel are paid directly by the sponsor.

Commercial agencies are regulated under the Commercial Agency Regulations. These Regulations explain the rules, rights and obligations of commercial agents and distributors.

Foreign contractors and companies wishing to pursue government contracts can operate in the Kingdom without a Saudi agent by opening offices or appointing representatives.

Other formalities

Newly formed business entities are required to notify their formation to the General Authority of Zakat and Tax (GAZT) and the General Organisation for Social Insurance (GOSI). Additionally, registration with the local Chamber of Commerce is mandatory in the Kingdom.

1. THE BUSINESS ENVIROMENT

THE SAUDI ECONOMY

General observations

Since the discovery of its oil reserves in 1938, Saudi Arabia has grown to be amongst the wealthiest nations of the world. The Kingdom has the largest proven oil reserves in the world. The considerable increase in world oil prices in 1973 quadrupled oil revenues and enabled the Kingdom to embark upon a massive development programme. The diversification strategy of the Kingdom, especially through enhancement of the private industrial sector, has paid dividends in expanding the economy by broadening the industrial base.

Basic resources

Crude oil has traditionally been the main source of Saudi Arabia's income over the last 40 years and currently accounts for approximately 80% to 85% of export earnings. The Kingdom has become a major force in the international petrochemicals market through the additional utilisation of its massive gas reserves. The Kingdom claims to produce more than 5% of the total production of petrochemicals in the world. Agricultural development continues to make substantial strides forward. The substantial rise in the production of meat, poultry, vegetables and fruit has considerably reduced the Kingdom's dependence on imports of these items.

Principal industries

The oil and gas industry remains vital to the economy of Saudi Arabia. The growth of the private sector, however, has made a significant contribution to the economic diversification strategy of the Kingdom, resulting in a substantial increase of that sector's share of gross domestic product over time.

The principal industries in place and operating lie either at the heavy industrial end, such as:

- oil and gas downstream facilities
- iron and steel plants
- base and intermediate chemical plants and
- fertiliser plants

or at the light end of manufacturing, such as:

- A whole range of consumer products
- Food products
- Paints
- Detergents
- Light to heavy building material products (including fabricated aluminium items and cement products)
- Plastic products
- Engineering items such as air conditioners and circuit breakers

The development of Saudi Arabia's twin industrial cities, Jubail on the Gulf and Yanbu on the Red Sea, has been one of the keystones of industrial policy for the last two decades. Jubail in its primary industry park has approximately 25 large capital-intensive industries in petroleum products, petrochemicals, fertilisers and metal. The secondary industries park has a wide range of intermediate and end-product private-sector plants.

In its primary industry park, Yanbu houses two major petrochemical complexes, an export refinery, a domestic refinery and a natural gas liquefaction plant. In the secondary industries park there are lubricating-oil refineries and other lubrication-additive and blending plants, an export unit for intermediate paints, titanium dioxide, and several other large manufacturing plants.

The Saudi agricultural sector continues to be an important one with the introduction of modern farming methods and the construction of storage and cold-storage facilities.

1. THE BUSINESS ENVIROMENT

LABOUR RELATION AND WORKING CONDITIONS

General

The Employment and Workmen Law regulates all matters relating to employment in the Kingdom.

Labour relations

Employment law does not allow the formation of trade unions in the Kingdom. Disputes between employers and employees are referred to the Commission for Settlement of Disputes, which has the exclusive jurisdiction to render decisions on such matters. The law provides for inspection of business premises by inspectors from the Ministry of Labour to ensure compliance with the provisions of the Employment and Workmen Law.

Working hours and holidays

The law stipulates the maximum working hours to be eight per day or 48 per week in all months of the year with the exception of Ramadan (the Muslim holy month of fasting), when the maximum number of working hours are restricted to six per day or 36 per week. In the case of businesses such as hotels, restaurants, seasonal enterprises and where approval has been granted by the Minister of Labour, the maximum number of daily working hours may be increased to nine. Similarly the number of daily working hours may be reduced to 7 hours per day for people employed in industries or operations classified as hazardous or harmful by the Minister of Labour.

Friday is the weekly holiday in Saudi Arabia as it is in most other Muslim countries. Currently, there are approximately 10 days of public holidays each year. In addition to these public holidays employees are entitled to a minimum of 21 days' leave after one year of service or 30 days after five years of consecutive service. However, the normal practice in the Kingdom is 30 days' annual leave in addition to the public holidays.

Termination of employment

An employment contract entered into for a specified term terminates upon the expiry of its term. If both parties mutually agree to apply the contract thereafter then it is deemed to have been renewed for an unlimited duration. Contracts of unlimited duration may be cancelled for a valid reason by either party to the contract provided 60 days' prior notice is given if the employee is paid monthly. For other employees, 30 days' prior notice is necessary.

On the expiry of specified-term contracts or the termination of unlimited duration contracts by employers, employees are entitled to a service award of half a month's salary for each of the first five years of service and one month's salary for each year thereafter. The current rate of pay is taken as the basis for computation of the service award. If an employee with an unlimited duration contract resigns, he is entitled to one-third of the specified-term award if his period of service is between two and five years; it is two-thirds of the specified-term award if his service period is more than five and less than 10 years; and the full specified-term award if his service period is more than 10 years.

1. THE BUSINESS ENVIROMENT

LABOUR RELATION AND WORKING CONDITIONS : CONTINUED

Pay rates, overtime and bonuses

Rates of pay in the Kingdom vary considerably from industry to industry and between nationalities.

Employment law provides for the minimum overtime rate as 150% of the normal rate. Bonuses are payable at the discretion of the employer. It is, however customary for banks and petrochemical companies to give their staff annual bonuses.

Wage Protection System (WPS)

The wages protection program observes the processes of the wages payment for all the labors (whether males or females) in the private sector establishments (for both the Saudis & foreigners) in order to establish a data base that contains an updated information pertaining to the payment of the wages to the private sector labors, and to verify the extent of abidance of the establishments by paying the wages on time and with the amount previously agreed upon.

The implementation of the program has started since September 1, 2013, to include in its first stage, the giant size establishments (3,000 employees or more) and the rest of the establishments has joined regularly based on a specific calendar dates. The establishments that has 15 - 19 employees need to be enrolled on July 1, 2017. Those establishments have to register and submit the wages payment files on the electronic services portal of the ministry. According to the WPS the wages has to be transferred (in Saudi Riyal) from the establishment local bank account to the employees' local bank accounts in Saudi Arabia.

Saudization

Investor shall acknowledge that they are committed to recruit, employ, train and keep Saudi nationals as an integral part of their workforce and staff.

The Ministry of Labor has launched "Nitaqat" program to motivate the establishments to nationalize various jobs as a new labor policy. Its main idea depends on the categorization of the establishments into four zones (Excellent /Green/Yellow/Red) according to their achievement of nationalization rates.

The program rewards the 'Excellent & Green' zones in which they represent the higher nationalization rates and strictly deals with the 'Red' zone in which they represent the lower nationalization.

Excellent	•Entities acheiving exceptional nationalizaiton performance
Green	•Entities achieving good nationalization performance. They represent the top half of entities within the same economic activity and size
Yellow	•Entities achieving below average performance in terms of jobs nationalization
Red	•Entities achieving poor naitonalization performance, and they represent the worst one fifth of entities within the same economic activity and size

1. THE BUSINESS ENVIROMENT

LABOUR RELATION AND WORKING CONDITIONS : CONTINUED

Social insurance

Social insurance in the Kingdom is administered by the General Organisation for Social Insurance (GOSI).

Employers are required to make contributions at the rate of 9% of GOSI Wage for Saudi employees who are required to contribute the same percentage of their GOSI Wage in respect of social insurance (Annuities Branch).

In addition, employers are required to contribute 2% of both Saudi and non-Saudi employees to cover the job hazards risk (Occupational Hazards Branch).

Employee Other allowances are exempt from GOSI fee, except commissions.

Starting September 1, 2014, an additional 2 percent of the monthly wage is shared equally by the employer and the worker as Unemployment Insurance (Saned).

Certain categories of employees such as certain government employees, armed forces and diplomatic personnel, domestic servants etc are exempt from social insurance contributions.

The GOSI Wage represents the employee's commission, monthly basic salary plus housing allowance or two months of his basic salary, in case the employer provides housing. The maximum and minimum monthly amount subject to social insurance contribution is SR 45,000 and SR 1,500, respectively.

The Social Insurance Law requires compulsory registration of all Saudi workers below the age of 60 years both male and female with the Annuities Branch.

The deadline for the payment Social Insurance of the current month is 15th of the next month. There are fines and penalties payable for late payment of GOSI amounts.

The rate of Social Insurance is as follows, showing the employer and employees' portions:

Category of Employees	*Annuity branch (Pension annuity)*		*Unemployment Contribution*		*Occupational Hazards*	*Total*
	Employer	Employee	Employer	Employee	Employer	Total
SAUDI EMPLOYEE	9%	9%	1%	1%	2%	22%
NON-SAUDI EMPLOYEE	0%	0%	0%	0%	2%	2%

2. FINANCE AND INVESTMENT

BANKS

There are over 10 commercial banks with hundreds of branches operating in all the major cities of the Kingdom and over 10 other licensed foreign banks' branches.

Most of the banks are wholly Saudi-owned and some of them either represent major international banks or joint ventures with major international banks of the world. Bank lending consists mainly of trade and medium-term investment finance. Banking operations in the Kingdom are regulated by the Saudi Arabian Banking Control Law and are supervised by the Saudi Arabian Monetary Agency (SAMA).

There are no prohibitions on the lending of funds by non-Saudi banks to Saudi entities and many businesses do borrow from international banks. Lending by Saudi banks to foreign entities is only permitted with prior approval from the SAMA.

Other financial institutions

Public- sector institutions

There are mainly three specialised public-sector credit institutions that provide loans to Saudi individuals and companies:

- the Public Investment Fund (PIF)
- the Saudi Industrial Development Fund (SIDF) and
- the Saudi Arabian Agricultural Bank (SAAB)

The PIF, established in 1971, provides funds only for government or mixed (government / private) domestic industries suitable for public-sector participation.

It has been the major funding agency for the base chemical and heavy industrial plants and for export refineries. PIF's loans are generally long-term and on very soft terms.

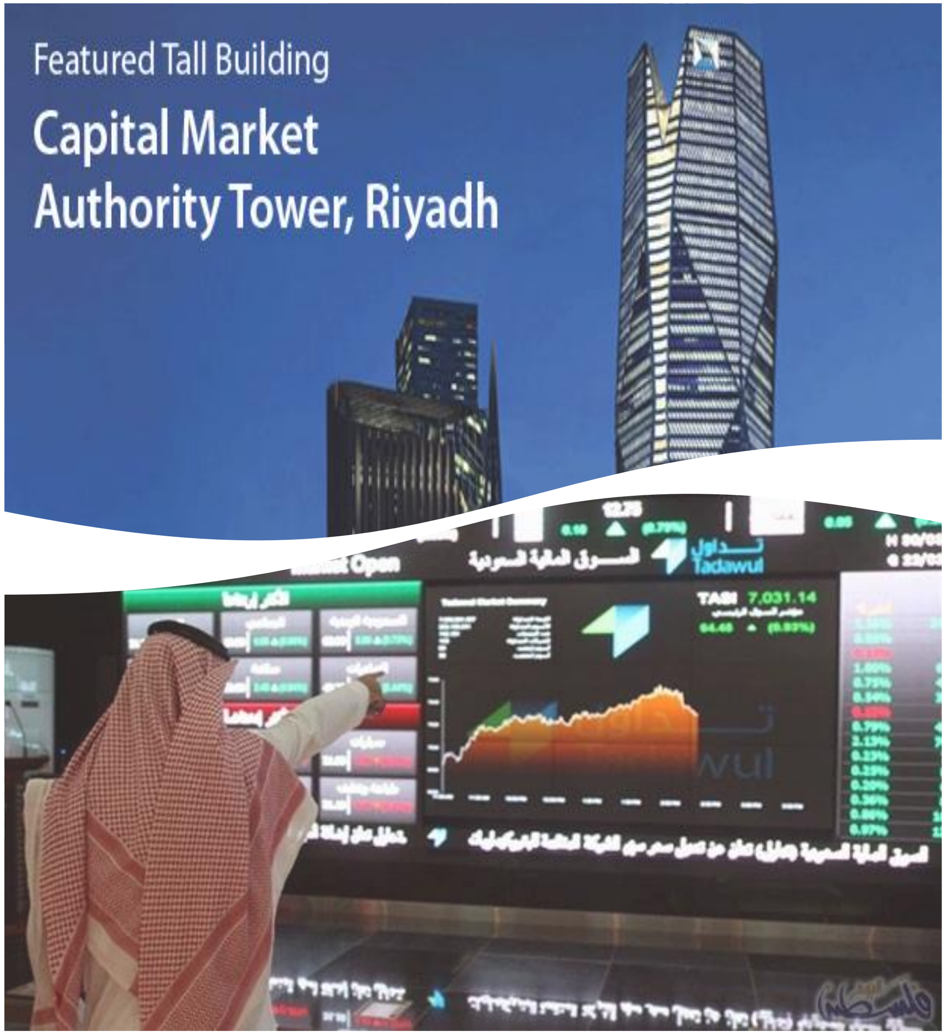
Private industry is financed mainly by the SIDF, which comes under the Ministry of Finance and National Economy. Since its inception in 1974, the fund has maintained its support to national industry at large and has been the prime mover in encouraging the private sector to invest in manufacturing enterprises. SIDF loans amount to up to 50% of project cost, are long-term and at low cost.

The Saudi Arabian Agricultural Bank is an important source of finance to the agricultural sector.

Stock exchange

In terms of total capitalisation, the Saudi Stock Exchange (Tadawul) is the largest in the Middle East. Privatisation of public entities has long been a top priority of the Saudi Government. The privatisation of public entities such as the Saudi Telecommunications and Saudi Electricity in the recent past has set a healthy trend of a larger number of organisations seeking listing on the Saudi Stock Exchange.

In order to strengthen Saudi capital markets, the government set up the Capital Market Authority (CMA) in 2003 pursuant to the Capital Market Law. The CMA is entrusted with the organisation and development of the capital market in the Kingdom through enactment and enforcement of the rules and regulations for protection of investors and integrity and stability of the stock exchange.



2. FINANCE AND INVESTMENT

INVESTMENT REGULATIONS AND INCENTIVES

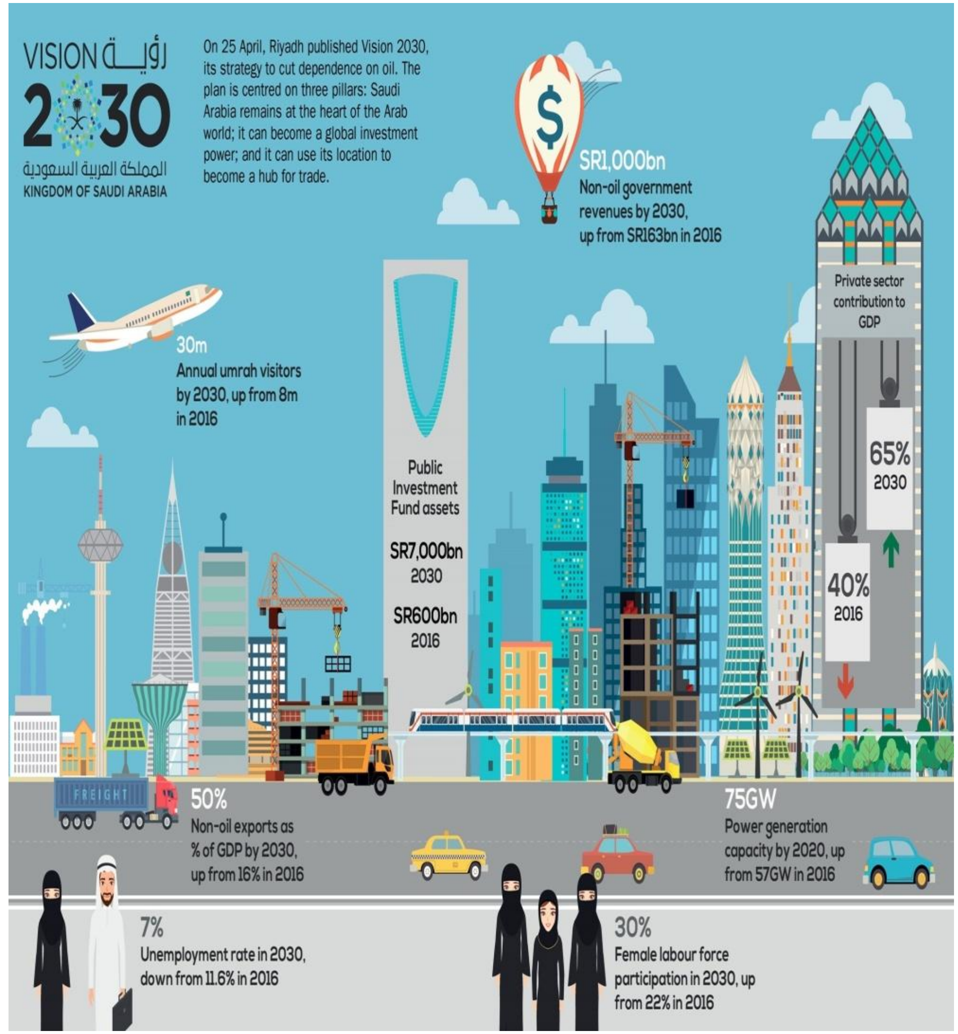
General

Saudi Arabia is a country rich in potential business and investment opportunities. The Kingdom's broad economic goals are to transform its oil-based economy into a broadly based and privately owned industrial and service economy.

Achieving these goals require a steady flow of investment coupled with technology and expertise into the country. Government policy is, therefore, designed to encourage the investment of foreign capital, particularly in economic development projects. The government's established foreign investment policy assures investors that it will refrain from imposing any restrictions on the flow of money into and out of the Kingdom.

The following areas, which are considered essential to the Kingdom's current and future economic growth, are being promoted by the government and involve foreign participation:

- Import-substitution and export-oriented ventures
- Projects contributing to technological progress in the Kingdom and the development of already established factories through improvement of production methods and minimisation of production costs
- Projects directly related to current economic development in the Kingdom. Such projects include, but are not limited to the following :
    - Industries utilising locally abundant raw materials derived from the petrochemical or petroleum sectors
    - Food industries utilising locally abundant agricultural products
    - Specialised industries in the fields of maintenance and the manufacturing of spare parts and equipment



2. FINANCE AND INVESTMENT

INVESTMENT REGULATIONS AND INCENTIVES : CONTINUED

Economic Cities

As Saudi Arabia is trying to diversify its economy away from oil, it has embarked on a major plan to build economic cities, which has generated a lot of foreign interest. The Economic Cities provide a wealth of investment opportunities in all sectors. There are currently over 600 opportunities in the Economic Cities, which will contribute USD 150 000 million to the country's GDP by the year 2020. The following is a brief description of each.

The King Abdullah Economic City (KAEC) is located midway between Mecca and Medina and the commercial hub of Jeddah. It encompasses some 168 km^2, equivalent to around 65% of the total area of the emirate of Ajman in the United Arab Emirates or about the size of the Principality of Liechtenstein. KAEC is being developed by Emaar the Economic City, a Saudi listed company.

The Knowledge Economic City (KEC), situated in Medina, seeks to develop the Kingdom's technology base.

The investment cost of the city will amount to around SSAR 25,000 million, creating some 20,000 job opportunities. An IT studies institute is planned, as well as a centre for Islamic studies.

Prince Abdulaziz bin Mousaed Economic City (PABMEC) is in Hail, 720 km north of Riyadh, and is slightly smaller in land size than KAEC, covering an area of 156 km^2. PABMEC estimates that the cost of the city will reach SAR 30,000 million by its completion date in 2016. The city will be developed by the private sector, headed by the Rakisa Holding Company.

Jizan Economic City (JEC) is intended to become another all-inclusive city similar to KAEC. JEC is some 725 km south of Jeddah and will have its own desalination plant and a power plant generating 4,000 MW of electricity.

Heavy industry will be a key sector for investment in JEC with plans in hand for a privately owned oil refinery, a 500 000 tonne per annum steel rebar and DRI factory; a copper smelter and an aluminium complex.

KING ABDULLAH CITY

HAIL ECONOMIC CITY

KNOWLEDGE ECONOMIC CITY

JAZAN ECONOMIC CITY

Regulations governing foreign investment

Business undertakings involving foreign capital are regulated by the Foreign Investment Regulations, which were issued in April 2000 as part of the government's ongoing drive to liberalise its foreign investment policy. These regulations superseded the Foreign Capital Investment Code issued in 1979.

Under these Regulations, the Saudi Arabian General Investment Authority is authorised to issue licences for any temporary or permanent foreign investment in the Kingdom.

A foreign investor is allowed to obtain more than one licence for various business activities. Projects licensed under these Regulations enjoy all the privileges, incentives and guarantees available to a national project.

A business entity licensed under these Regulations is allowed to own real property required for carrying out its business operations or for providing housing facilities to its employees. Moreover, the sponsorship of the foreign investor and his non-Saudi personnel is entrusted to the business entity licensed under these Regulations.

Business incentives

Incentives provided to encourage foreign investment in approved industrial and non-industrial projects include the following:

- Lower taxation rates
- Exemption of exports from customs duties
- Exemption from customs duties on machinery, equipment, tools and spare parts imported for industrial projects
- Exemption from customs duties on primary raw materials, semi-finished goods, containers etc necessary for industrial projects (provided that similar items are not sufficiently available locally)
- Loans and equity participation on favourable terms
- Financial and technical operating subsidies
- Provision of land at favourable rents for industrial projects
- No restriction on repatriation of profits

2. FINANCE AND INVESTMENT

INTELLECTUAL PROPERTY LAW

Intellectual property law consists of three areas: patents, trademarks, and copyrights. Each of these is governed by different set of rules.

The patent regulations provide fairly comprehensive legislation on the issue, registration, duration, cancellation etc of patents in the Kingdom. Under these regulations the King Abdul Aziz City for Science and Technology has the sole jurisdiction to issue patents.

The rights created by the patent are confined to the field of industrial activities and do not include activities conducted for the purpose of scientific research. The patent rights are valid for 15 years from the date of issue of the patent and may be renewed for another five years at the request of the patent holder. Within two years from the date of issue of the patent, the patent holder must ensure full industrial exploitation of the patent in the Kingdom. This period may be extended for a maximum of two years provided the request is based on valid reasons. The disputes pertaining to patents are within the jurisdiction of a committee established for this purpose by a resolution of the Council of Ministers.

Trademarks in the Kingdom are governed by the Trademarks Regulations. These regulations explain the procedures for registration, announcements, renewal and deletion, transfer of ownership and licensing of trademarks. In addition they define crimes and penalties regarding trademarks to protect public and private rights.

The period of protection for copyright varies and depends on the type of work. In 1997, Saudi Arabia jointed the Universal Copyright Convention and the Berne Convention on copyrights protection. This means that foreign-owned copyrights will receive the same protection under Saudi law as Saudi entities.

ACCOUNTING AND AUDIT REQUIRMENTS

The profession

The accounting profession in the Kingdom is regulated by the Ministry of Commerce, which is the authority responsible for issuing practicing licences to qualified individuals. There are presently around 400 licensed accountants in the Kingdom.

The professional accounting body, the Saudi Organisation for Certified Public Accountants (SOCPA) in the Ministry of Commerce is assuming a leading rôle in organising and further developing the profession. SOCPA has been entrusted with the task of developing professional standards and holding professional examinations for the practising licence.

Standards and reporting

SOCPA has issued the following pronouncements:

- The Certified Public Accountants Code
- Saudi Arabian Auditing Standards
- Saudi Arabian Accounting Concepts and Objectives and the Standard of General Presentation and Disclosure
- Saudi Arabian Accounting Standards

The development of accounting and auditing standards is a continuous process. SOCPA therefore issues accounting and auditing pronouncements from time to time in an endeavour to set the Saudi Standards for all relevant topics and issues and to bring them up to date in accordance with business requirements.

Companies listed on the stock exchange of Saudi Arabia are required to follow International Financial Reporting Standards (IFRS) for the year 2017 onwards. Non-listed entities are required to follow IFRS (or IFRS for SMEs) for accounting periods beginning on or after January 1, 2018 (early adoption permitted).

The Companies Law and the GAZT requirements necessitate an annual audit for most types of companies. Saudi LLCs are required to file their audited financial statements with the Ministry of Commerce within four months of their financial year-end and branches of foreign LLCs within six months.

Accounting periods

A company may select any date as its accounting year-end date. Companies registered in accordance with the Companies Law generally have their accounting year-end date specified in their statutes.

Accounting records

All business entities operating in the Kingdom with a capital of SAR 100,000 or more are required by the Commercial Bookkeeping Regulations to maintain at least the following accounting records in Arabic:

- original journal
- inventory book
- general ledger

Additionally, all correspondence pertaining to the entries recorded in the books of accounts must be kept and maintained in a systematic manner to facilitate the audit verification process.

The minimum period of retention for the accounting records and related correspondence is 10 years.

3. THE TAX SYSTEM

INTRODUCTION

General

The tax system of Saudi Arabia is promulgated by the central government through royal decrees, ministerial decisions and circulars of the General Authority of Zakat and Tax (GAZT) of the Ministry of Finance and National Economy. The GAZT is exclusively responsible for the administration of tax and Zakat matters. The authority has its head office in Riyadh and branches in the major cities of the Kingdom.

The two principal forms of direct tax in Saudi Arabia are the Zakat and the income tax. Zakat is assessed on Saudis whereas income tax is only applicable to non-Saudis.

Zakat

Zakat is a religious tax, levied on Saudi nationals, wholly Saudi-owned companies and Saudi shareholders' share of profits of companies with foreign participation, in accordance with Sharia law. For this purpose, Gulf Cooperation Council (i.e. Bahraini, Kuwaiti, Omani, Qatari and UAE) nationals and companies are treated as Saudis. Zakat is payable annually on the Zakat payer's total capital resources and income, excluding amounts invested in fixed assets. The rate of Zakat is 2.5%.

E-Filing Registration

In 2016 the GAZT introduced a new tax, Zakat and withholding tax filing system known as EARD, the ERAD portal is for online submission of tax, Zakat and withholding tax return. The tax and Zakat payers are required to register the company and partnership with GAZT and obtain the login details i.e. user name and the password for the submission of the annual tax, Zakat, and annual withholding tax returns, the monthly withholding tax will also be submitted online, no hard copy of tax, Zakat and withholding tax returns will be accepted by the tax authorities.

Income tax

For income tax, see Chapter 4.

4. TAXES ON BUSINESS

INCOME TAX

Zakat

For zakat, see Chapter 3.

Income tax

A new income tax law was promulgated by Royal Decree No M/1 on 6 March 2004 and became effective from 30 July 2004. With the exception of withholding-tax provisions, which are applicable from 30 July 2004, the new income tax law and its by-laws apply to financial years starting after the effective date of the law.

Under the new tax law, income tax is levied on the Saudi-source taxable income of:

- Resident non-Saudi individuals in business
- Non-resident individuals or companies carrying on business activities through a permanent place of business in the Kingdom, such as agents, branches, construction sites etc
- The non-Saudi partner's/shareholder's share in a Saudi partnership/company

For this purpose, all income or gains generated from business, or deemed to have arisen from business, within Saudi Arabia, are treated as taxable income. The source of income is deemed to be situated within Saudi Arabia if it is derived from:

- Work, service or activity or any part thereof performed within Saudi Arabia
- Disposal of ownership interest in a Saudi company or partnership
- Rental of movable assets, sale or license to use industrial or intellectual property in the Kingdom
- Immovable property in the Kingdom, including gains on disposal of such property
- Management fees or director's fees paid by a resident company

For income tax purposes, a contract to supply goods to the Kingdom is not considered a source of income derived from an activity in the Kingdom unless it includes related work which is performed in the Kingdom, such as installation, training etc. In such a case, only the income from related work is considered to be derived from an activity in the Kingdom and is, therefore, treated as taxable.

Supply contracts

Mere exportation of goods to the Kingdom does not attract liability to income tax irrespective of whether the contract was signed inside or outside the Kingdom. The underlying principle is that the supply of goods does not constitute a source of income in the Kingdom.

Where the supply is connected with a service or work to be performed in the Kingdom (i.e. supply, in-Kingdom transportation, installation) the income from the non-supply part of the contract, depending upon the GAZT interpretation, may become taxable. It is, therefore, advisable to sign a contract for supply independently of the contract that involves performance of work in the Kingdom.

Deduction of expenses

All normal business expenses are deductible from the income of the taxpayer provided that they are connected with the earning of that income and are supported by verifiable evidence. In general, the following types of expenses are disallowed:

- Payments or benefits, such as salaries, wages, bonuses etc, given to shareholders, partners or their relatives or payments for property or services to the extent that the amount is higher than the fair market value of such property or service.
- Insurance commissions in excess of 3% of total premiums collected in the Kingdom.
- Entertainment expenses.
- Personal expenses of individuals.
- Income taxes paid in the Kingdom or abroad.
- Penalties and fines payable in the Kingdom, except where such fines result from contractual non-compliance.
- Illegal payments, such as bribes, even if paid abroad.

4. TAXES ON BUSINESS

INCOME TAX : CONTINUED

The specific rules in respect of deduction of certain expenses are as follows:

Depreciation

For tax purposes, the allowable depreciation expense is calculated on a reducing-balance basis for the pool of assets in the relevant category. The acquisition costs of new assets and the disposal values of disposals are spread over two years: 50% in the year of acquisition or disposal and 50% in the following year. A list of annual depreciation rates allowed under the Kingdom's tax rules is as follows:

Table 1

Type of asset	Rate (%)
Permanent buildings	5
Movable structures	10
Geological surveys, drilling and exploration of natural resources	20
Plant, machinery, equipment, computer software, motor vehicles	25
All other tangible and intangible assets	10

Where the pool value for any category becomes negative as a result of the deduction of disposal values, the pool balance for that category is treated as zero and the excess amount is added to the taxpayer's taxable income.

Fixed-asset repair and maintenance expenses

The amount allowed as the repair and maintenance expense in each tax year is restricted to 4% of the balance of that category at the end of the tax year. The excess amount of repair and maintenance expense, if any, is added to the pool value of that category for the purpose of computing the depreciation expense for the current and future tax years.

Provisions

Except for the provision for doubtful debts of banks, no provisions are allowed as a deduction.

Bad and doubtful debts

Provisions for bad and doubtful debts are disallowed. However, bad debts written off are allowed as a deduction in the tax year in which the write-off takes place provided that certain conditions are met.

School fees

School fees paid by employers for their employees' children are allowed as a deductible expense provided that they are paid to local licensed schools and the employees are entitled to this benefit under their employment contract.

Employee termination benefits

Provisions for employees' termination benefits are not tax-deductible. However, actual payments made to employees are allowed.

Social Insurance

Payments to foreign social security schemes, foreign pensions and trust-fund plans are not deductible.

Retirement fund contributions

Contributions to authorised retirement funds in the Kingdom by employers are allowed as a deduction of up to 25% of each employee's salary. Employee's salary for this purpose excludes the employer's contribution to the retirement fund.

Head-office expenses

Indirect general and administration costs, royalties, commissions, and financial costs charged by a head office located abroad to wholly owned subsidiaries in Saudi Arabia are not allowed.

4. TAXES ON BUSINESS

INCOME TAX : CONTINUED

Treatment of losses

The Saudi Arabian tax regulations allow indefinite carry-forward of adjusted operating losses incurred after the expiry of tax-holiday periods. However, the maximum amount of loss allowed in this way in any one tax year is restricted to 25% of that year's profit as reported in the tax return. The tax regulations do not provide for carry-back of tax losses.

Group taxation

The tax regulations in the Kingdom require each company within the group to file its own tax return with the GAZT. There are no provisions in the law permitting offset of losses of one group company against the profits of another.

Taxation of branches of foreign companies

Branches of foreign companies are taxed in the same manner as subsidiaries or associated companies. Income tax rates mentioned above also apply to branches.

Rates of income tax

A rate of 20% is applicable to the taxable income of non-Saudi individuals in business, companies registered in Saudi Arabia, and non-resident individuals and companies carrying business activities through a permanent place of business in the Kingdom.

4. TAXES ON BUSINESS

INCOME TAX : CONTINUED

Sample corporate tax calculation

The calculation is for a Saudi company owned 49% by foreign investors and 51% by a Saudi company.

Item	SAR	SAR
Net profit for the year per audited financial statements		30,000,000
ADD		
Depreciation differences resulting from DZIT approved method and rates	600,000	
Bad debts written off during the year not supported by documents providing evidence of attempts by the company to recover the debts	300,000	
Salaries paid to partners	1,000,000	
Social insurance and pension plans paid abroad	90,000	
Income taxes paid abroad	60,000	
Income taxes and zakat paid in Saudi Arabia	60,000	
Commissions paid to head office abroad	50,000	
Out-of-Kingdom head-office indirect-overhead expenses	25,000	
Out-of-Kingdom head-office financial charges	75,000	
Entertainment expenses	40,000	
Provision for end-of-service benefits for the year	250,000	
Provision for bad and doubtful debts charged during the year	500,000	
Other provisions charged during the year	125,000	
Provision for Savings Plan	100,000	
		3,275,000
		33,275,000
Deduct		
Payments made during the year for end-of-service benefits and charged against end-of-service benefits provision added back to taxable income in previous years	250,000	
Payment made during the year and charged against a provision made in a previous year provided such a provision was added back to taxable income in previous years	375,000	
Bad debts written off in previous years (but added back to taxable profits in previous years) now considered uncollectable, if supported by documents providing evidence of attempts by the company to recover the debts	500,000	
		(1,125,000)
Adjusted profit for Saudi income tax and zakat purposes		32,150,000
Non-Saudi partner's share (49% thereof)		15,753,500

Income tax @ 20% **SAR 3,150,700**

Withholding tax

Payments made to non-residents by a resident or a permanent establishment of a non-resident, derived from a source in the Kingdom, are subject to withholding tax. Depending upon the nature of the payment, the payer is required to withhold tax at the following rates:

Table 2

Type of payment	Rate (%)
Management fees	20%
Royalties or proceeds; payments against technical and consulting or international telecommunication services paid to head-office or affiliated company	15%
Technical and consulting services or international telecommunication services except the ones paid to head-office or affiliated company rent, air tickets, air freight and maritime freight; profit distributions; loan charges; insurance or reinsurance premiums	5%
Other payments – Not to exceed	15%

The person withholding the tax, irrespective of whether or not he is a taxpayer under the tax law, is required to register with the DZIT, and pay the tax so withheld within 10 days of the end of the month in which such payments are made. The payer is also required to issue a certificate to the payee stating the amount of payment and the tax withheld.

At the end of each tax year, the payer is required to submit the names, addresses and other details of the payees to the GAZT.

A delay penalty of 1% of the amount of unpaid withholding tax is applicable for each 30 days of delay from the due date of the tax till such time the tax is paid.

Administration of tax

Basis of assessment

The net profit or loss, as adjusted for tax purposes, per the audited financial statements prepared in accordance with accounting principles generally accepted in the Kingdom, forms the basis of tax assessment for companies and other taxpayers required to maintain books of account under the Commercial Bookkeeping Regulations. Individuals whose annual turnover is equal to or below SAR 5 million (EUR 895,025; USD 1,333,325) may adopt either the cash or accruals basis of accounting for preparation of their financial statements. However, if an individual's annual turnover for any taxable year exceeds this threshold, the accruals basis of accounting must be applied in all subsequent years.

Filing of tax returns

The following taxpayers are required to file a return within 120 days of the end of their financial year with the GAZT along with payment for the amount of tax due:

- Resident joint stock companies, limited liability companies, partnerships limited by shares, and investment funds.
- Resident non-Saudi individuals in business.
- Non-residents with a permanent place of business in the Kingdom.

Personal companies are required to file their tax return within 60 days of the end of their financial year. Similarly, taxpayers who cease their business activity are required to inform the GAZT, and file a closing tax return within 60 days of cessation.

Taxpayers whose taxable income exceeds SAR 1 million are required to have their tax returns certified for accuracy by certified public accountants licensed in the Kingdom.

All tax returns and correspondence with the GAZT must be in the Arabic language.

Payment of taxes

If the tax liability, excluding the withholding tax, according to the tax return of the preceding year amounts to SAR 2 million (EUR 358,000; USD 533,325) or above, the taxpayer is required to make advance payment of income tax to the GAZT in three equal instalments on the last day of the 6th, 9th and 12th months of his current financial year. Each instalment is calculated as 25% of the preceding year's tax liability. No advance payments of tax are required if the preceding year's tax liability, excluding the withholding tax, is less than SAR 2 million.

A credit for the advance tax paid, if any, is given against the total tax liability according to the final tax return, which must be submitted to the GAZT together with any tax due within 120 days of the end of the financial year.

The GAZT may reduce the amount of advance tax due if it is satisfied that the taxable income of the taxpayer for the current fiscal year is likely to be substantially less than the taxable income of the preceding year.

Statutory period for assessment / refund

The GAZT is allowed to issue or amend a tax assessment within five years of the end of taxable year, or at any time with the written agreement of the taxpayer. In cases where the tax return is not submitted or is found to be incomplete or incorrect with the intent of tax evasion, the GAZT is authorised to issue or amend an assessment within 10 years of the end of the taxable year.

A taxpayer is allowed to claim a refund for overpayment of tax, at any time, within five years of the end of the taxable year. In addition, the GAZT is required to compensate the taxpayer at the rate of 1% of the refund amount for each 30 days of delay, starting 30 days after the date of the claim and until such time as the amount is actually refunded to the taxpayer.

BDO

4. TAXES ON BUSINESS

INCOME TAX : CONTINUED

Penalties

A penalty of 1% of the gross income of the taxpayer, up to a maximum of SAR 20,000 (EUR 3575; USD 5325), is payable where the tax return along with the payment for tax is not filed with the GAZT or, where applicable, the tax return submitted was not certified by a Certified Public Accountant.

In cases where the tax return together with the payment for unpaid tax is not filed within 120 days of the end of the taxpayer's financial year, a delay penalty is imposed of the higher of SAR 20,000 and the amount shown in Table3:

Table 3

Delay period	Rate (%)
1 to 30 days	5%
31 to 90 days	10%
91 to 365 days	20%
366 days or more	25%

The unpaid tax is the difference between the total amount due according to the tax return and the amounts that have been paid on or before the due date of the declaration.

There are presently no penalties in force on late filing of the return and late payment of due Zakat.

Appeals

The taxpayer may contest the tax assessment of any period through an appeal lodged with the Preliminary Tax Appeal Committee at the GAZT. The appeal must be filed within 60 days of receipt of the assessment and should outline the principal reasons for the objections. The appeal is not considered valid unless the undisputed element of the tax assessed is paid within the time period allowed for filing the appeal, except where the taxpayer has reached an agreement with the GAZT to pay the tax in instalments.

The decision of the Preliminary Tax Appeal Committee may be contested by both the taxpayer and the GAZT through an appeal lodged with the Higher Appeal Committee. The appeal must be lodged within 60 days of receipt of the decision of the Preliminary Tax Appeal Committee.

The appeal is not considered valid unless the tax assessed by the Preliminary Tax Appeal Committee has been paid or a bank guarantee provided to cover the assessed amount.

The decision of the Higher Appeal Committee may be contested by both the taxpayer and the GAZT through an appeal lodged with the Board of Grievances within 60 days of receipt of the decision.

BDO

5. TAXES ON INDIVIDUALS

Saudi Arabia does not levy a tax on the income of individuals, unless they are individuals carrying on a business, in which case the business is liable to zakat or income tax, as the case may be (see Chapters 3 and 4).

There are no taxes on inheritances, gifts or wealth.

NATURAL GAS INVESTMENT TAX

A Natural Gas Investment Tax (NGIT) is applicable on taxable income derived from exploration, production, collection, treatment, transportation, processing and fractionation of natural gas, natural gas liquids and gas condensates. The NGIT rate for any taxable year is based on the internal rate of return on the cumulative annual cash flows of the taxpayer from natural-gas investment activities. The NGIT rate can range from a minimum of 30% for an internal rate of return of 8% to a maximum of 85% for internal rates of return of 20% and above.

A tax rate of 85% is applicable to the taxable income from oil or other hydrocarbon production activity in the Kingdom.

IMPORT DUTIES

General policy

Saudi Arabia is dedicated to the concept of the free market and on the whole, pursues a liberal trade policy. Generally, there are no price or quantity restrictions on imports of goods into the Kingdom except for alcohol and pork products, which are prohibited under Sharia law.

The importation of firearms is also prohibited under Saudi law. Imports of items such as plants, fruit, vegetables, seeds, live animals and poultry require prior approval from the appropriate Saudi authorities. The import of medicines and pharmaceutical products into the Kingdom requires a licence from the Ministry of Health.

Imports

Although Saudi Arabia's imports have declined due to its policy of import substitution, the Kingdom remains by far the largest Arab market, and is one of the world's main trading nations in terms of goods and services.

The Kingdom provides ample scope for the export of high-technology goods, especially those related to telecommunications, computer equipment and services, water and electricity supply and maintenance.

Saudi Arabia still depends on imports for most of its manufactured items, and many of its foodstuffs. Capital goods make up the bulk of imports, though consumer products are not far behind.

The Kingdom provides ample scope for the export of high-technology goods, especially those related to telecommunications, computer equipment and services, water and electricity supply and maintenance.

Saudi Arabia still depends on imports for most of its manufactured items, and many of its foodstuffs. Capital goods make up the bulk of imports, though consumer products are not far behind.

CUSTOMS DUTIES

All goods imported into the Kingdom require customs clearance, which may only be obtained upon payment of the applicable customs duty. If an importer fails to settle the duty, the customs authorities are empowered to sell the goods to recover the due amount.

Basic consumer foodstuffs such as sugar, rice, tea, unroasted coffee, barley, corn, livestock and meat (fresh or frozen) are exempt from duty. On most of the other items the duty ranges from 4% to 12%. Members of the Arab League who are signatories to the Agreement to Facilitate Trade and Exchange are granted special concessions. Similarly, imports from the Arab countries with which the Kingdom has bilateral trade agreements and Gulf Cooperation Council countries are also entitled to favourable rates of duty.

7. SOCIAL SECURITY CONTRIBUTIONS

Social insurance in the Kingdom is administered by the General Organization for Social Insurance (GOSI). Employers are required to make contribution for Saudi employees who are required to contribute the same percentage of their salary in respect of social insurance. In addition, employers are required to contribute 2% of the basic salary of both Saudi and non-Saudi employees to cover the job hazards risk.

Certain categories of employees such as certain government employees, armed forces and diplomatic personnel, domestic servants etc are exempt from social insurance contributions

The rate of Social Insurance is as follows, showing the employer and employees' portions:

Category of Employees	*Annuity branch (Pension annuity)*		*Unemployment Contribution*		*Occupational Hazards*	*Total*
	Employer	Employee	Employer	Employee	Employer	Total
SAUDI EMPLOYEE	9%	9%	1%	1%	2%	22%
NON-SAUDI EMPLOYEE	0%	0%	0%	0%	2%	2%

On 6 January 2014, the Council of Ministers approved a new annuity for insurance against un-employment. The program is called SANID which means support. The annuity will be 2% and will be split equally between the employer and the employee. SANID will apply within 6 months from the date it was approved.

8. VALUE ADDED TAX

In common with the other member states of the GCC Saudi Arabia is expected to introduce value added tax with effect from 1 January 2018.

The details of the VAT regime, which will be set out in a GCC framework agreement and enacted by national legislation, have not yet been made available. However, the law is expected to follow the European model, with exemptions and zero-rate relief for a limited range of goods and services including healthcare, education and some basic foodstuffs.

The rate is expected to be 5%.

Imports will be subject to VAT on entry.
of receipt of the decision.

Double taxation agreements

Income and capital tax treaties

Saudi Arabia has singed double taxation avoidance treaties with the following countries:

Austria	Ireland	Russia
Algeria	Italy	Singapore
Azerbaijan	Japan	South Africa
Bangladesh	Korea	Spain
Belarus	Kyrgyzstan	Syria
Bolivarian Republic of Venezuela	Luxembourg	Sweden
China	Malaysia	Tunisia
Czech Republic	Malta	Turkey
Ethiopia	Republic of Macedonia	Turkmenistan
France	Netherlands	United Kingdom
Greece	Pakistan	Ukraine
Hungary	Poland	Uzbekistan
Holland	Portugal	Vietnam
India	Romania	

BDO MEMBER FIRM OFFICES

BDO Member Firms have offices in the following countries:

AMERICAS

- Anguilla
- Argentina
- Aruba
- Bahamas
- Barbados
- Bolivia
- Brazil
- British Virgin Islands
- Canada
- Cayman Islands
- Chile
- Colombia
- Costa Rica
- Curacao
- Dominican Republic
- Ecuador
- El Salvador
- Guatemala
- Honduras
- Jamaica
- Mexico
- Montserrat
- Nicaragua
- Panama
- Paraguay
- Peru
- Puerto Rico
- St Kitts & Nevis
- St Lucia
- St Maarten
- St Vincent & The Grenadines
- Suriname
- Trinidad & Tobago
- United States of America
- Uruguay
- US Virgin Islands
- Venezuela

EMEA

- Albania
- Algeria
- Angola
- Armenia
- Austria
- Azerbaijan
- Bahrain
- Belarus
- Belgium
- Botswana
- Bulgaria
- Burundi
- Cape Verde
- Comoros
- Croatia
- Cyprus
- Czech Republic
- Denmark & Faroe Islands
- Egypt
- Estonia
- Ethiopia
- Finland
- France
- French Guiana
- Georgia
- Germany
- Gibraltar
- Greece
- Greenland
- Guernsey
- Hungary
- Iceland
- Ireland
- Isle of Man
- Israel
- Italy
- Ivory Coast
- Jersey
- Jordan
- Kazakhstan
- Kenya
- Kosovo
- Kyrgyzstan
- Kuwait
- Latvia
- Lebanon
- Liechtenstein
- Lithuania
- Luxembourg
- Macedonia
- Madagascar
- Malawi
- Malta
- Mauritius
- Moldova
- Mongolia
- Morocco
- Montenegro
- Mozambique
- Namibia
- Netherlands
- Niger
- Nigeria
- Norway
- Oman
- Poland
- Portugal
- Qatar
- Republic of Srpska (Bosnia and Herzegovina)
- Reunion Island and Mayotte
- Romania
- Russia
- Rwanda
- San Marino
- Saudi Arabia
- Serbia
- Seychelles
- Sierra Leone
- Slovak Republic
- Slovenia
- South Africa
- Spain
- Sweden
- Switzerland
- Tajikistan
- Tanzania
- Togo
- Tunisia
- Turkey
- Turkmenistan
- UAE
- Uganda
- Ukraine
- United Kingdom
- West Bank & Gaza
- Zambia
- Zimbabwe

ASIA PACIFIC

- Afghanistan
- Australia
- Bangladesh
- Brunei Darussalam
- Cambodia
- China
- Fiji
- French Polynesia
- Hong Kong
- India
- Indonesia
- Japan
- Korea
Laos
- Macao
- Malaysia
- Mongolia
- Myanmar
- New Caledonia
- New Zealand
- Pakistan
- Philippines
- Singapore
- Sri Lanka
- Taiwan
- Thailand
- Vietnam