Saudi Arabia

Foreign Investment Law in the Kingdom of Saudi Arabia (2000)

Unofficial translation

Note

The Investment Laws Navigator is based upon sources believed to be accurate and reliable and is intended to be up-to-date at the time it was generated. It is made available with the understanding that UNCTAD is not engaged in rendering legal or other professional services. To confirm that the information has not been affected or changed by recent developments, traditional legal research techniques should be used, including checking primary sources where appropriate. While every effort is made to ensure the accuracy and completeness of its content, UNCTAD assumes no responsibility for eventual errors or omissions in the data.

The year indicated in brackets after the title of the law refers to the year of publication in the Official Gazette or, when this is not available, the year of adoption of the law.

https://investmentpolicy.unctad.org

Contents

First: Industry Sector
Second: Services Sector
The Statute of the General Investment Authority
Article 10
Foreign Investment Law in the Kingdom of Saudi Arabia

Royal Decree No. M/1

Article 1

The following terms and expressions shall have the meanings assigned to them, unless the context requires otherwise:
b. Board of Directors: The Board of Directors of the General Investment Authority.
c. The Authority: The General Investment Authority.
d. The Governor: The Governor of the General Investment Authority.
e. Foreign Investor: A natural person who is not of Saudi nationality or a corporate person whose partners are not all Saudi.
f. Foreign Investment: Investment of foreign capital in an activity licensed by this Law.
g. Foreign Capital: In this Law, foreign capital shall mean, for example, but not limited to, the following funds and rights so long as they are owned by a foreign:
   1. Cash, securities and negotiable instruments.
   2. Foreign investment profits, if invested to increase capital, expand existing projects, or establish new ones.
   3. Machinery, equipment, furnishings, spare-parts, means of transport and production requirements related to the investment.
   4. Intangible rights, such as licenses, intellectual property rights, technical know-how, administrative skills and production techniques.

h. Commodity Firms: enterprises that produce industrial, agricultural, plant and animal commodities.
i. Service Firms: Service and contracting enterprises.
j. Law: The Foreign Investment Law.
k. Regulation: The implementing regulation of this Law.

Article 2

Without prejudice to the provisions of the laws and agreements, the authority shall issue a license for foreign capital investment in any investment activity in the Kingdom, whether permanent or temporary.

The authority shall act on the investment application within 30 days of the submission of all the documents required by the regulation. If the specified period lapses without the authority acting on the application, it shall issue the required license to the investor.

If the authority rejects the application within the prescribed period, the decision must be justified, and the party whose application has been rejected shall have the right to appeal such decision according to laws.

Article 3

The Council shall have the authority to issue a list of activities excluded from foreign investment.

Article 4

Subject to the provisions of Article 2, the foreign investor may obtain more than one license for different activities, and the regulation shall specify the necessary requirements.

Article 5
Foreign investments licensed under the provisions of this Law may be in either of the two following forms:

1. Firms owned by a national and foreign investor.
2. Firms wholly owned by a foreign investor. The legal form of the firm shall be determined in accordance with Regulation and directives.

Article 6
The enterprise licensed under this Law shall enjoy all the benefits, incentives and guarantees extended to a national enterprise, according to laws and directives.

Article 7
A Foreign Investor may repatriate its share that is derived either from the sale of its equity, the liquidation surplus, or from profits generated by the firm, or to dispose of it in any other lawful manner. The foreign investor may also transfer the amounts required to settle any contractual obligations related to the project.

Article 8
A foreign firm licensed under this Law may acquire necessary real estate as needed for operating the licensed activity, or for housing all or some of its staff, subject to the provisions governing real estate ownership by non-Saudis.

Article 9
The foreign investor and its non-Saudi staff shall be sponsored by the licensed firm.

Article 10
The authority shall provide all interested investors with required information, clarifications and statistics as well as providing them with all services and procedures to facilitate and complete all investment related transactions.

Article 11
The foreign investor’s investments may not be confiscated, wholly or partially without a court judgment. Moreover, they may not be subject to expropriation, wholly or partially, except for public interest, in exchange for a fair compensation according to laws.

Article 12
1) The authority shall notify the foreign investor in writing when violating the provisions of this Law and its regulation, in order to rectify such violation within a period of time specified by the authority for the rectification of the violation.
2) Without prejudice to any harsher penalty, the foreign investor shall be subject to any of the following penalties if the violation persists:
   a. Withholding all or some of the incentives and benefits given to the Foreign Investor.
   b. Imposing a fine not exceeding SR 500 thousands.
   c. Revoking the foreign investment license.
3) The penalties referred to in paragraph (2) shall be applied pursuant to a resolution by the board of directors.
4) The penalty resolution issued may be appealed before the Board of Grievances in accordance with its Law.

Article 13

Without prejudice to agreements in which the Kingdom of Saudi Arabia is party:

1. Disputes arising between the government and the foreign investor in relation to its investments licensed in accordance with this Law shall, as far as possible, be settled amicably. Failing such settlement, the dispute shall be settled according to the relevant laws.

2. Disputes arising between the foreign investor and his Saudi partners in relation to its investments licensed in accordance with this Law shall, as far as possible, be settled amicably. Failing such settlement, the dispute shall be settled according to relevant laws.

Article 14

All foreign investments licensed under this Law shall be treated in accordance with the applicable tax provisions and amendments thereto in the Kingdom of Saudi Arabia.

Article 15

The foreign investor shall comply with all laws, regulations and directives in force in the Kingdom of Saudi Arabia, as well as international agreements in which the Kingdom is party.

Article 16

The implementation of this Law shall not violate the acquired rights of the foreign investments, legally existing before this Law comes into force. However, the process of conducting activities or increasing capital by such enterprises shall be governed by provisions of this Law.

Article 17

The authority shall issue the regulation and it shall be published in the Official Gazette and shall become effective as of the date of its publication.

Article 18

days after its publication date. The Foreign Capital Investment Law, issued upon Royal Decree No. (M/4), dated 2/2/1399H (corresponding to 1/1/1979AD), as well as any provisions inconsistent therewith shall be canceled.

List of activities excluded from foreign investment.

**First: Industry Sector**

1. Exploring, excavating and producing petroleum products. This doesn't include mining related services that are classified internationally under the numbers 883 and 5115.

2. Manufacturing military uniforms, equipments, and devices.

3. Manufacturing civil explosives.

**Second: Services Sector**

1. Catering services for military sectors.
2. Investigation and security.
3. Insurance Services.
4. Real estate investment in the two Holy Cities of Makkah and Medina.
5. Tourist guidance services related to Hajj and Umra (visit to the Holy Cities).
6. Recruitment and employment services including local recruitment offices.
7. Real estate brokerage services.
8. Printing and Publishing Services
9. Distribution services (wholesale and retail trade) including medical retail trade such as the private pharmacies classified under the numbers of 632631, and 612161136111, and (commercial agents) except Franchising Services that are classified internationally under the number 8929, provided that the foreign property percentage does not exceed 49% as well as it shall be sufficient to stipulate one condition for every area.
10. Audio and visual services.
11. Education services (primary/secondary/adult education).
12. Communication services.
13. Land and air-transport services.
14. Distribution of electricity services as part of the general network.
15. Space transport services.
16. Pipe line transport services.
17. Services rendered by mid-wives and nurses, physiotherapy services, and para-medical services classified internationally under the number of 93191.
18. Services related to the field of fishing.
19. Services related to toxic centers, blood banks and quarantines.

The Statute of the General Investment Authority

Article 1

The following terms and expressions shall have the meanings indicated opposite thereto, unless the context requires otherwise:

- The Chairman: The Chairman of the Supreme Economic Council.
- The Board of Directors: The Board of Directors of the Saudi Arabian General Investment Authority.
- The Authority: The Saudi Arabian General Investment Authority.
- The Governor: The Governor of the Saudi Arabian General Investment Authority.
- The Regulation: The Implementing Regulation of the Statute.

Article 2
Under this Statute, a general authority named “Saudi Arabian General Investment Authority” is to be established. Such an Authority shall enjoy the corporate personality, pertinent to the chairman, and its headquarter is to be in Riyadh City.

**Article 3**

The main objective of the Authority is to care the affairs of investment in the Kingdom including the investment. This includes the stipulation of its responsibilities as following:

4. Providing the State's policies in the field of developing and increasing local and foreign investment and submitting it to the Council.

5. Proposing operational plans and rules in order to improve investment atmosphere in the Kingdom and submitting them to the Council.

6. Following up, and estimating the performance of the local and foreign investment and preparing a periodic report about it; the Regulation shall determine the elements of the report.

7. Preparing studies about the opportunities of investment in the Kingdom and promoting them.

8. Cooperating with the concerned governmental bodies in the way that enables the Authority to perform its tasks.

9. Organizing, setting up, and participating in conferences, seminars internal and external exhibitions and activities related to investment.

10. Developing databases and conducting statistical surveys in order to enable the Authority to perform its tasks.

11. Any regular tasks assigned to the Authority.

**Article 4**

The Board of Directors of the Saudi Arabian General Investment Authority is to be formed as follows:

1. Governor
2. A representative of the Ministry of Interior (member)
3. A representative of the Ministry of Commerce (member)
4. A representative of the Ministry of Foreign Affairs (member)
5. A representative of the Ministry of Agriculture and Water (member)
6. A representative of the Ministry of Petroleum and Mineral Resources (member)
7. A representative of the Ministry of Industry and Electricity (member)
8. A representative of the Ministry of Finance and member National Economy (member)
9. A representative of the Ministry of Planning (member)
10. A representative of the Ministry of Labor and Social Affairs (member)
11. A representative of the Saudi Arabian Monetary Agency (member)
12. Two members from the private sector are appointed by a decision of the Chairman upon a proposal of the Governor; the number of representatives of the governmental
bodies in the Board of Directors must not be 14 representatives at least and the
duration of membership in the Board of Directors is three years only.

Article 5

The Board of Directors is the authority dominating and administrating the affairs of the Saudi
Arabian General Investment Authority. The Board also shall take all the required decisions to
achieve the authority targets under the provisions of this Statute and shall do, specifically, the
following:

1. Taking decisions on the investment applications and abolishing them.
2. Proposing a list of the activities excluded from foreign investment and submitting it to
   the Council.
3. Ratifying internal, financial and administrative regulations as well as the organizational
   structure of the Authority in the way that enables the Authority to perform its tasks.
4. Monitoring and reviewing the administrative and financial aspects of the Authority.
5. Certifying the draft budget, balance sheet, auditor report and annual report of the
   Authority as a preliminary step to submit them to the Council as the Statute stipulates.
6. Forming committees from the members of the Board of Directors and others to practice
   the responsibilities assigned to the Authority in accordance with the decision of the
   Board of Directors.
7. Reviewing matters submitted by the Governor and committees formed by the Board of
   Directors.
8. Proposing the amendment of such Statute and the other laws related to investment.
9. Assigning individuals in charge of the Authority's administration to draw all kinds of
   agreements and contracts within the rules ratified by the Board of Directors.
10. Approving business and operational plans of the Authority.
11. Accepting donations, gifts, grants and endowments.

The Board of Directors meets upon an invitation offered by the Governor at least once every
month. The Governor must invite the Board of Directors for meeting in case at least the half
of members requested so. The invitation should include the agenda, given that the meeting
shall not be valid unless the majority of members, including the Chairman of the Board of
Directors or whoever represents him of members, present.

The meeting decisions shall be issued by majority votes of members present. In case of a tie,
the decision of the party including Chairman will be the chosen one. The Board of Directors
may invite individuals deemed to be experts or having information, but they shall not be given
the right of voting. Deliberations and decisions of the Board of Directors are to be recorded in
minutes signed by the meeting chairman and the presenting members.

The Board of Directors shall have the right of issuing decisions by referring them to members
severally only in cases of necessity. In this case, all members of the Board of Directors
should approve the decisions in writing and such decisions are to be submitted to the Board
of Directors in the first subsequent meeting for recording them in the minutes of meeting.

Article 7

The Authority should have a Governor in a rank of Minister who is appointed by a Royal
Decree upon a proposal of the Chairman.
Article 8

The Governor shall be the chief executive officer of the Authority’s administration and conducts its business. His responsibilities are determined by the provisions of this Statute and decisions of the Board of Directors. The Governor shall be entitled to do the following tasks:

1. Supervising the preparation for the meetings of the Board of Directors.
2. Making sure the decisions taken in the meetings of the Board of Directors are implemented.
3. Preparing the draft budget, draft balance sheet, and annual report of the Authority as a preliminary step to submit them to the Board of Directors.
4. Monitoring the staff and clients of the Authority in accordance with the authorities assigned to him and provisions of the Regulations.
5. Taking actions in regards to expenses of the Authority under the certified annual budget.
6. Submitting annual reports to the Board of Directors on the works, achievements and activities of the Authority.
7. Proposing the plans and schemes of the Authority and monitoring the implementation thereof after obtaining the approval of the Board of Directors.
8. Representing the Authority before the governmental bodies and others. The Governor shall assign some of such tasks to other officials in charge of the Authority’s administration.

Article 9

1) An Investors Service Center shall be established within the Authority, consisting of liaison offices including full-time representatives from all government departments concerned with investment, such as the Ministry of Interior (the General Directorate of Passports, the General Department of Expatriate Affairs), Ministry of Foreign Affairs, Ministry of Commerce, Ministry of Industry and Electricity, Ministry of Finance and National Economy (Zakat and Income Tax Department, Saudi Industrial Development Fund), Ministry of Agriculture and Water, Ministry of Labor and Social Affairs (Labor & Workmen’s Office), Ministry of Petroleum and Mineral Resources.

2) The Council shall have the right to change the departments mentioned in this Statute upon a proposal from the Board of Directors.

3) The above mentioned Investors Service Center shall operate under the supervision of the Governor, extend its services to investors in a manner that ensures centralizing the receipt of applications, taking actions thereof, finalizing such matters promptly and issuing licenses, approvals, visas and residence permits required for carrying out the activities.

Article 10

The Authority shall have an independent budget allocated in accordance with the arrangements of allocating the State’s general budget and the Authority’s funds shall consist of the following:

1. The allocated appropriations in the State budget.
2. Income derived by the Authority from conducting activities that fall within its objectives.
3. Any other funds which the Board of Directors may accept such as donations, gifts, grants and endowments.

4. All movable and immovable properties passed to the Authority from the Saudi Consulting Services House.

The Authority's funds shall be deposited in an independent account and disbursed in accordance with the Authority's financial regulations.

**Article 11**

The fiscal year of the Authority is the State's fiscal year; Except that the first fiscal year of the Authority shall commence as of the date this Statute comes into effect.

**Article 12**

Without prejudice to the right of the General Audit Bureau in monitoring the Authority's accounts, the Board of Directors shall appoint one or more auditors who are either natural persons or legal persons licensed to work in the Kingdom and shall determine their fees.

In case of the plenty of auditor, they shall be jointly liable for their activities before the Authority. The auditors shall submit reports to the Board of Directors with a copy to the General Audit Bureau.

**Article 13**

The Board of Directors shall issue the Regulation within 30 days from the date of issuing this Statute.

The Regulation shall be published in the Official Gazette and shall become effective on the date of its publication.

**Article 14**

This Statute shall be published in the Official Gazette and shall become effective after thirty days from the date of publication and shall supersede any other contradicting regulations.

* * *