

Powered by



Investing in KSA

Saudi Arabia has become a key investment hub over the years as it seeks to diversify its oil-dependent economy. Abdullah Alanezi and Lujain Al Yousef consider the key aspects involved in setting up a business in the Kingdom.

Over the years the Kingdom of Saudi Arabia (KSA) has become a place of interest for many investors around the world. For businesses wishing to expand into international markets, KSA is the perfect choice. It is an economically stable country with a constant increase in the domestic market and the facilities provided by the Saudi government to foreign investors. Setting up a business in a foreign country is always accompanied with a huge risk caused by the non-familiarity of laws, regulations and procedures followed in said country. Therefore, before setting up your company in KSA, it is always better to appoint a local representative to assist with the required formalities.

Types of companies available for foreign investors:

A limited liability company (LLC): LLCs in KSA has no minimum capital, to it may deposit the amount of capital as they see fit. A manager or a managing board must be partners appointed during the formation stage and once an LLC is established the appointed management team is responsible to publish the company's articles of association (AOA) as specified by the competent authority.

A joint stock company (JSC): There are two types of JSCs in KSA, a closed JSC, and a public trading JSC (listed in the capital market for trading of the public). As for capital, the companies' regulations require a minimum capital of Riyals 500,000. The management of a JSC must be conducted through a board of directors with a minimum of three members and a maximum of 11 members. Recently KSA has implemented mandatory corporate governance regulations for licensed JSCs, issuing two different regulations for listed and closed companies. Those regulations ensure the best practice with protection of rights for all stakeholders, equality of treatment, transparency and accountability

towards the public and all shareholders.

A branch of a foreign company (Branch):

This type limits investors' activities to be practiced in the Saudi market to the same activities practiced by the company in its home country. It is not considered as an independent legal entity and its liability could extend to the headquarters of the branch.

Another important aspect to investing in KSA, is to determine the activity an investor's wishes to practice. The procedures followed differs based on the activity practiced. In KSA, the Saudi Arabian General Investments Authority (SAGIA) is the competent authority for licensing foreign investors. SAGIA has categorised the activities into several categories, the services activity, industrial activity, contractual (constructions) activity, real estate activity, and the commercial activity. Each activity requires to be licensed by SAGIA and in some cases other governmental authorities such as the Ministry of Health, the Ministry of Culture and Information, etc.

In addition, the Saudi Arabian General Investments Authority has adopted the International Standard Industrial Classification which was derived from the international standard for all economic activities issued by the United Nations' Economic and Social Council. This adoption aims at harmonising of industrial activities and providing a comprehensive system in specifically determining the category a certain activity belongs to. The application of the industrial classification assists in generating more accurate statistical calculations by dividing the activities into divisions, groups, classes, branches, and activities. Further, it has a positive impact on foreign investors in providing them with an improved specific guide to the competent authority an activity will be subject to. Since this classification is international and adopted by many UN

member states, it is sought to minimise the risks accompanied with foreign investments which is mainly caused by the unfamiliarity of a foreign investor of standards and requirements applicable while entering into the Saudi economic industrial market.

One of the significant efforts made by SAGIA to facilitate the investments of foreign businesses in KSA was to issue a temporary license for investors in the construction activity. This temporary license allows the investor to apply for governmental tenders without having a presence in KSA, once the tender is won, said investor may apply for a permanent license, or another temporary one for the duration of the project of the tender.

Once a SAGIA license is issued, foreign investors must apply for the issuance of a commercial registration certificate with the Ministry of Commerce and Investments (MOCI) which requires the deposit of the company's capital into one of the local banks. Also, apply for a membership with the Saudi Chamber of Commerce (COC). Once all of the above is obtained a company will be fully registered in KSA.

There are other governmental authorities the company must register with after the completion of the formation process, such as, the Ministry of Labor and Social Development, the General Authority of Zakat and Tax, the General Organization for Social Insurance, and the Ministry of Municipal and Rural Affairs.

As we can see from the above, registering a company in KSA could seem as a complex process, but with the right assistance from local experts, an investor should easily get licensed within a month or two. 🇸🇦

Text by:

1. ABDULLAH ALANEZI, *partner*,
abdullah.alanezi@bsabh.com

2. LUJAIN AL YOUSEF, *associate*,
lujain.alyousef@bsabh.com



SOL
INTERNATIONAL

LexisNexis®
Middle East & North Africa



ARBITRATION TRENDS

A PERSPECTIVE FROM THE DIFC, TAHKEEM AND AN INSIGHT INTO ARBITRATION PROCEEDINGS AT THE LOCAL COURTS.

PROGRAMME:

- » 9:00am to 9:30am : Registration and welcoming breakfast
- » 9:30am to 9:40am : Opening remarks
- » 9:40am to 10:00am : Keynote speech by Sara Koleilat- Aranjó
- » 10:00am to 11:00am : Panel discussion
- » 11:00am to 11:15am : Q&A & closing remarks
- » 11:15am to 11:45am : Networking

DATE:
SEPTEMBER 4, 2019

VENUE:
THE RITZ-CARLTON, DIFC, DUBAI

Register online at lexis.ae for immediate invoice and online payment