

1. Government requirements

Registration requirements

Registration with Ministry of Human Resource and Social Development (HRSD)

In order to register with the HRSD, the company must submit its Commercial Registration certificate, articles of association, Chamber of Commerce-attested signatories and business location license. Registration with the HRSD is needed to register with the General Organization for Social Insurance.

Registration with the General Organization for Social Insurance (GOSI)

This can be done partially online as follows:

- The employer visits the GOSI's website and perform the procedures below:
 1. Click on "Register in GOSI" on the home page, follow by "Employer" link
 2. Select "Register a New Establishment or Branch in GOSI", enter the following information in the fields required, then click "Next"
 - Establishment number at HRSD
 - National identification number or recruitment number
 - Date of birth
 3. Confirm the information previewed or edit if needed
 4. A registration form will then appear. This needs to be completed and printed by the authorized person "facility supervisor".
- The duly completed must be stamped with a company seal. In addition, the location of the entity (business location license) and the designation of the authorized person to represent the company before GOSI must be included.
- Upon attendance in person at GOSI, the ID of the authorized person is validated and checked, and a username and password are then issued to the company. The GOSI Certificate is also issued and can be collected on-site. The number that GOSI gives to the employer is different from the MOL ID. The employer enters their username and password (GOSI's website), and registers the employees with their IDs, wages, occupations, educational documents, nationalities, date of commencement and location.

Social insurance

The social insurance contribution is paid monthly which is computed on monthly basic salary and housing allowance. The minimum and maximum monthly earning levels of contributory wages for Saudi employees are SAR1,500 and SAR45,000, respectively. For non-Saudi employees, the minimum and maximum monthly earnings levels to calculate contributions are SAR400 and SAR45,000, respectively. The contribution is computed at 2% for non-Saudi employees (toward occupational hazard) and is paid by the employer. For Saudi nationals, the contribution is at the rate of 22% and is paid by both the employees (10%) and the employer (12%) (toward pension, occupational hazard and unemployment).

Governing Authority: General Organization for Social Insurance (GOSI)

Governing Legislature/law: GOSI Regulations

Ongoing compliance or filing requirements

There are no personal income tax regulations in Saudi Arabia. However, social insurance contributions apply.

Details of registration requirement: Both the employer and employee need to be registered with the GOSI. Initially at the time of incorporation, the employer needs to register itself with the GOSI. Once registered, the employer will be responsible to register all the employees (Saudi or expatriate) with the GOSI department and liable to collect contribution from employees and pay both employer and employee contributions to GOSI as well.

Related registration fee: There is no fee for registering with the GOSI.

2. Pension requirements

In accordance with the Article 84 of Saudi Arabia labor law, companies will need to create provision for end of service benefit. Reporting the provision in the annual financial statements is required as per international financial reporting standards as endorsed in Saudi Arabia.

Contribution rates applicable (employee and employer)

The contribution will only be made by the employer. The proration according to Article 84 of Saudi Arabia labor law is as follows:

- Half of the latest monthly salary per year up to first five years from the date of joining
- Full latest monthly salary per year for the remaining years after first five years

There is no different treatment for local and foreign employees.

The employment agreement may be ended either by resignation or termination/redundancy. With regards to the computation of settlement for terminal benefit by either way, below are the guidance mentioned in the labor laws applicable in Saudi Arabia.

With regards to resignation, as per Article 85 of Saudi Arabia labor law:

“If the expiry of the work relation was due to the resignation of the worker, in this case the worker deserves $\frac{1}{3}$ of the reward for service not less than two successive years and not more than five years. The worker deserves $\frac{2}{3}$ thereof if his service period exceeds five successive years and has not amounted to ten years. He deserves full reward if his service period reached ten years or more.”

In case of termination by employer or end of employment contract at maturity, the benefit estimated through Article 84 will be the benefits payable. However, in other cases mentioned below (other than resignation), benefits are calculated based on Article 87 as follows:

“With the exception of what was mentioned in Article 85 of the labour law, the reward is fully deserved in case the worker left work due to an unavoidable force majeure. Also, a female worker deserves full reward if she terminated the contract within six months from the date she got married or three months from the date of her giving birth to a baby.”

Labor law has issued guidance towards the payment of final settlement computed by employer for the employee in case of termination of work relationship by either case mentioned above.

In accordance with Article 88 of labor law, “Upon the end of the worker’s service, the employer shall pay his wages and settle his entitlements within a maximum period of one week from the date of the end of the contractual relation. If the worker ends the contract, the employer shall settle all his entitlements within a period not exceeding two weeks. The

employer may deduct any work-related debt due to him from the worker's entitlements."

3. Employment obligations

Employment obligations are governed by Saudi Arabia labor law under the HRSD.

Annual leave

As per Article 109 of labor law, the employee shall be entitled to a prepaid annual leave of not less than 21 days, to be increased to a period of not less than 30 days if the employee spends 5 consecutive years in the service of the employer. The employee shall enjoy his or her leave in the year it is due however, as per Article 110 of labor law, the employee may postpone to the following year, if approved by the employer.

Sick leaves

In accordance with Article 117 of labor law, the employee is entitled to avail 120 days of leave in a year as per below:

- Sick leave with full pay – First 30 days
- Sick leave with 1/3 pay – 60 days after first 30 days
- Sick leave with no pay – Last 30 days

Other leaves

Hajj leave/Pilgrimage leave

As per Article 114, an employee is entitled to 10 to 15 days (including the Eid Al-Adha holiday) to perform Hajj if the employee has spent at least 2 consecutive years of

service with the employer. However, this entitlement arises only if the employee has not performed Hajj previously. The employer may also determine the number of workers who shall be given this leave annually in accordance with work requirements.

Eid holidays

As per Article 112, each worker shall be entitled to full- paid leave on Eid ul Fiter and Eid ul Adha, plus occasions specified in the regulations.

Maternity leave

Article 151 states that "A female worker shall be entitled to a maternity leave for the four weeks immediately preceding the expected date of

delivery and the subsequent six weeks.”

As per Article 152, “During the maternity leave, an employer shall pay the female worker half her wage if she has been in service for one year or more, and a full wage if she has served for three years or more as of the date of commencement of such leave. A female worker shall not be paid any wages during her regular annual leave if she has enjoyed in the same year a maternity leave with full wage. She shall be paid half her wage during the annual leave if she has enjoyed in the same year a maternity leave at half wage.”

Additionally, an extra paid rest hour per day is given for nursing her infant.

Umrah leave

Leave for Umrah is not specified in the labor law.

Examination leave

As per Article 115, “A worker enrolled in an educational institution shall have the right to a fully paid leave to sit for an examination of an unrepeatable year. Days of leave shall be based on the actual number of the examination days. However, for the examinations of a repeated year, the worker shall be entitled to unpaid leave to sit for the examinations. The employer may require the worker to submit documents in support of the leave application as well as proof of having taken the examination. The worker shall apply for the leave at least fifteen days ahead of the due date. Without prejudice to disciplinary action, the worker shall be denied the wage if it is proven that he had not taken the examination.”

Death in family leave

Three days leaves are allowed in pursuant to labor law.

Paternity leave

As per Article 113, “A worker shall be entitled to one day of paid leave in the case of child birth.”

Marriage leaves

As per Article 113, “A worker shall be entitled to three days paid leave for marriage.”

Overtime

As per Article 108 of labor law:

1. The employer shall pay the worker for overtime working hours an additional amount equal to the hourly wage plus 50% of his basic wage.
2. If the firm is operated on the basis of weekly working hours, the hours in excess of the hours taken as the criterion shall be deemed overtime hours.
3. All working hours performed during holidays and Eids shall be deemed overtime hours.

4. Payroll requirements

Wage Protection System (WPS)

Payroll requirements are governed by Saudi Arabia labor laws under the HRSD. Per Article 90 of the labor law, the worker's wages and all other entitlements shall be paid in the country's official currency. Wages shall be paid during working hours and at the workplace in accordance with the following provisions:

- Workers paid on a daily basis shall be paid at least once a week.
- Workers paid on a monthly basis shall be paid once a month.
- If the work is done by the piece and requires a period of more than two weeks, the worker shall receive a payment each week commensurate with the completed portion of the work. The balance of the wage shall be paid in full during the week following delivery of the work.
- In cases other than the above, the worker's wages shall be paid at least once a week.

Salaries for the employees should be paid by the employer under whom the employees are registered.

5. Banking requirements related to payroll

Wage Protection System (WPS)

In accordance with Saudi Arabia labor laws under the HRSD, Article 90 (2) of labor law states that wages may be paid through accredited banks in Saudi Arabia, with the consent of the worker, provided that their due dates do not exceed.

All private entities need to submit the bank file to the HRSD portal called "Mudad". The HRSD file will be generated by the bank and this needs to

be submitted (without opening)by logging into their business account at the Mudad website.