

Scaling Your Business Into Saudi Arabia

The Essential Playbook for
Entrepreneurs.

Contents

1

Introduction

03 Key Requirements

7

PHASE-2 Business Incorporation Steps

07 Article of Association

08 Name Reservation, Commercial Registration

09 Obtaining MISA License

12

General Overview

12 Navigating The Tax System

13 Important Considerations

4

PHASE-1 Pre -incorporation Steps

05 Legal Structures

10

PHASE-3 Post Incorporation Steps

10 Qiwa, Muqem

11 Mudad, Fasah Registration

14

Conclusion

14 Recap Of Key Insights

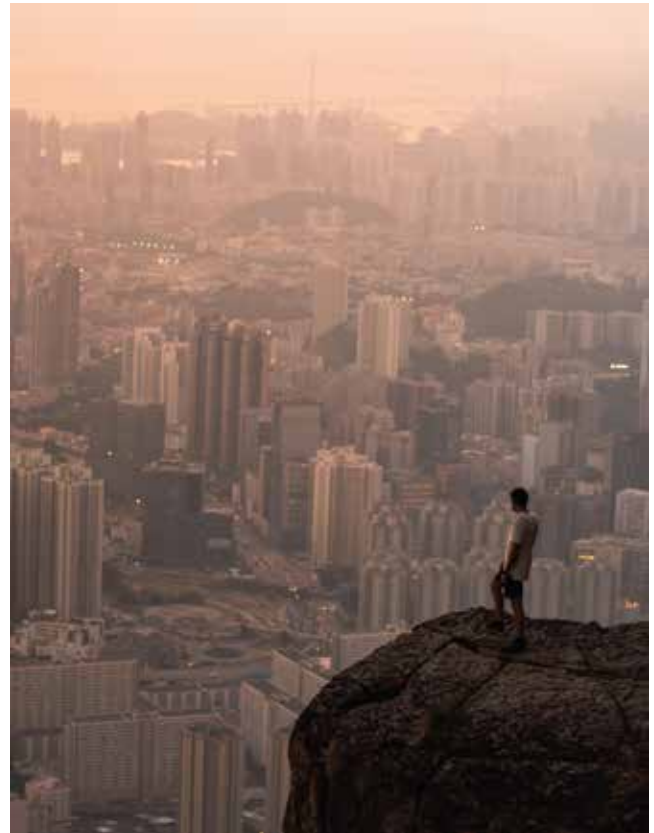
15 About Us

Are You An Entrepreneur With a Global Vision?

In today's fast-paced and interconnected world, the journey of establishing a business is both exhilarating and challenging. The global startup ecosystem is thriving, driven by innovation, technology, and a relentless spirit of entrepreneurship. As aspiring entrepreneurs and business leaders, the quest for the ideal environment to launch and grow your venture is paramount.

Choosing the right location for your business can significantly impact its success. Factors such as market potential, regulatory framework, access to resources, and support for innovation play crucial roles in this decision. In your search for a promising destination, one market stands out for its transformative vision and boundless opportunities "The Kingdom of Saudi Arabia".

Saudi Arabia is undergoing a remarkable transformation fueled by Vision 2030, a strategic framework aimed at diversifying the economy, fostering innovation, and enhancing the business environment. This presents an extraordinary opportunity for entrepreneurs and businesses worldwide to be part of a thriving and forward-looking economy. The Kingdom's commitment to economic diversification is evident in its efforts to develop key sectors such as technology, renewable energy, tourism, and entertainment. The strategic location, robust infrastructure, and regulatory reforms make it an attractive destination for entrepreneurs.



What makes Saudi Arabia truly special is its rich tapestry of culture, tradition, and opportunity. From the bustling metropolises of Riyadh and Jeddah to the serene shores of the Red Sea, the Kingdom offers a diverse landscape ripe for exploration and growth. This unique blend of tradition and modernity creates a dynamic environment where businesses can flourish while embracing the Kingdom's rich cultural heritage.

In this comprehensive guide, we will walk you through every step of setting up a business in Saudi Arabia, from the initial planning stages to navigating legal requirements and understanding the important considerations. Whether you are a startup looking to establish a new venture or an established business seeking to expand into the Saudi market, this ebook provides the insights and practical steps needed for success.

Thinking About The Key Requirements?

FOR STARTUP BUSINESSES

BUSINESS PLAN & SUPPORTS

Startup Brief & Pitch Deck: Present a compelling startup brief and pitch deck that clearly explains your business concept and potential.

Support Letter: Secure a support letter from a reputable Venture Capital (VC) company or a licensed incubator in Saudi Arabia. This demonstrates credibility and potential for your venture.

REGISTRATION & LEGAL DOCUMENTS

Commercial Registration: Obtain a Commercial Registration (CR) attested by the Ministry of Foreign Affairs (MOFA) and the Saudi Embassy. This officially recognizes your business in Saudi Arabia.

MoA & AoA: Prepare a Memorandum of Association (MoA) and Articles of Association (AoA) outlining your company's structure and governance. These documents also require attestation by MOFA and the Saudi Embassy.

FOR ESTABLISHED BUSINESSES

REGISTRATION & LEGAL DOCUMENTS

Commercial Registration: Similar to startups, established businesses need a CR attested by MOFA and the Saudi Embassy.

MoA / AoA: As with startups, a MoA/AoA, attested by MOFA and the Saudi Embassy, is required.

FINANCIAL REQUIREMENTS

Audited Financial Statements: Provide audited financial statements from your home country to demonstrate your company's financial health.

PHASE 1

PRE-INCORPORATION STEPS



Choose Your Legal Business Structure: Decide on the type of legal entity that best suits your business activities, such as Limited Liability Company (LLC), Joint Stock Company (JSC), or others.

Select Your Business Activities: Define and finalize the scope of your business activities in Saudi Arabia.

Recommendation on investment License: Determine the appropriate license required for your business activities, guided by the Ministry of Investment Saudi Arabia (MISA).

Documents Verification: Verify all necessary documents to ensure they meet regulatory requirements.

OPTIONAL:

Documents Attestation: Verify all necessary documents to ensure they meet regulatory requirements.

Documents Required For Pre-Setup Stage

1. Parent Company's Articles of Association
2. Business License
3. Last year's Audit Report
4. Board Resolution
5. Power of Attorney

Dive Into Legal Structures



Choosing the right legal structure is crucial for your startup's success. Here's a breakdown of popular options

In KSA, founders can choose among distinct types of legal structures, each tailored to suit their company's specific activities. Each business type possesses unique attributes designed to accommodate distinct economic objectives.

1. Joint Stock Company (JSC)
2. A Simplified Joint Stock Company (SJSC)
3. Joint Venture Company (JVC)
4. Limited Liability Company (LLC)
5. A sole proprietorship

In the case of branch offices, the Saudi Company Law also allows foreign companies in Saudi Arabia to operate their businesses with two specific business forms.

Foreign Branch Office

Foreign Representative Office

LLCs and SJSCs are the most legal structures suitable for startups, depending on their maturity stage, thanks to the various benefits and flexibility they offer in terms of shareholder's limitations, capital requirements, and foreign ownership.

The Limited Liability Company (LLC) has been the preferred legal structure for KSA's startups, given the flexibility this structure offers regarding asset protection, tax benefits, and residency support, making them a favorite choice for early-stage ventures. Yet, certain restrictions, such as Limitations on foreign partner control and challenges with public listing, should be considered before choosing an LLC structure. More information on foreign ownership will be explained in subsequent sections. With the introduction of a new legal structure in 2022, the Simplified Joint Stock Company would be a more adequate legal structure for SMEs and start-ups.

In addition to the advantages offered by LLCs, this modern company structure simplifies not just the operational phase of a business but also its closure, offering streamlined procedures and reduced costs, allowing startups to focus more on innovation and growth. In addition, flexibility in asset distribution, ease of share transfer, and reduced liability risks are other benefits that extend to the winding-up phase. These advantages can make the SJSC an attractive option for startups and SMEs, offering a more agile approach to both business operations and closure compared to other traditional legal structures.



PHASE 2 - BUSINESS INCORPORATION STEPS

Reserve the Company Trade Name: Register and reserve your desired company name with the relevant authorities.

Obtain Investment License: Apply for and obtain the investment license from the Ministry of Investment Saudi Arabia (MISA).

Obtain Commercial Registration: Complete the commercial registration process to legally establish your business entity.

Draft and Notarize Articles of Association: Prepare and finalize the Articles of Association, ensuring compliance with local regulations.

Publish and Notarize Articles of Association: Officially publish and notarize the finalized Articles of Association.

Criteria for Name Reservation

1. The trade name must not be similar to the singular or plural form or identical to a trade name previously registered for another person.
2. The trade name must not be non-Arabic or have no meaning.
3. The trade name must not be a family name unless the name exists and has the same activity as the customer and has been previously registered to it.
4. That the name does not contain the title (lawyer - master - lady - prince - princess - sheikh - father - brother).
5. The words Gulf, Arabic, and international are attributes that are accepted with the trade name.
6. It is not allowed to add activities in the trade name such as (contracting - trading - maintenance - real estate).
7. All names with religious overtones are prohibited. *Prohibited names are attached.
8. It is required that the trade name does not contain the name of a non-Arab country or city.
9. You cannot reserve a trade name that contains the word "group" except after reviewing the Ministry to fulfill the conditions.
10. To register the professional name (office), visit the consulting professions page (it is available to reserve the professional name for companies only).
11. The maximum number of reserved names accepted for a customer is only three.

What Makes Article of Association Important?

The articles could be considered some of the most important statutory documents for a newly formed company. The articles and the memorandum of association are required documents in many countries. The company secretary and directors must sign them. They are vital when it comes to investor relations and the stock market. They are also a good place to set out regular goals for the organization. The articles may also be needed when setting up a company bank account or applying for business loans. Until the articles of association have been filed, the company will not be considered an official company.

Commercial Registration

The Commercial Registration Certificate (CR), also known as the Business Registration Certificate, is a legal document that is issued to companies operating in Saudi Arabia. It is an official document that indicates the commercial activities that a company is authorized to undertake in the country. In KSA, every industrial or commercial establishment, both domestic and foreign, is required to register with the commercial registration offices of the Ministry of Commerce and Industry (MOCI), which are located in all of the major towns of the Kingdom.

The following are a few of the system's key attributes:

- Branch offices of foreign corporations, and Saudi agents acting on their behalf, are required to first seek permission from the Ministry of Investment (MISA), Ministry of Industry and Electricity, and then register with the MOCI within a month of starting the operations.
- Within one month after the start of business, all additional units or branches must also be registered.
- All subsequent modifications to the information must be disclosed within a month of the change taking place. Information such as the names of the establishment and owners, their nationalities, the amount of capital and shares in the capital of each owner, etc., must be included on the prescribed application forms.
- All subsequent modifications to the information must be disclosed within a month of the change taking place.

Criteria

1. To be at least 18 years old.
2. The owner should not be a government employee.
3. The capital should not be less than 5000 riyals.

Obtaining The MISA License

If you are a foreign investor, you must get a MISA License to start your business in Saudi Arabia. Through a MISA Investor License, you get full ownership of your business and can operate freely across Saudi Arabia. Your preference for economic activity decides which type of license you need for your business. We help you get your investor license conveniently.

TYPE OF LICENSES

- Service
- Industrial
- Mining
- Real Estate
- Trading
- Professional
- Technical
- Agricultural

2 | DOCUMENTS REQUIRED FOR INVESTOR LICENSE

1. Copy of the commercial registration of the entity in its original country, authenticated by a Saudi Embassy.
2. Financial statements for the last year, prepared by an internationally acclaimed legal office and authenticated by a Saudi Embassy.

*Additional documents may be required depending on the business activity and the required license type.

BUSINESS ACTIVITY	PERMITTED FOREIGN OWNERSHIP (MAXIMUM)
Services	100%
Manufacturing	100%
Professional services	100%
Trading (wholesale and retail)	75%-100%

PHASE 3- POST-INCORPORATION STEPS

Activate Chamber of Commerce (CoC) Account:

Register your business with the Chamber of Commerce to gain official recognition.

Register MUDAD: Enroll in the MUDAD payroll system and compliance system for employee management.

Register QIWA: Register with QIWA for a visa and work permit.

Obtain National Address: Obtain a national address registration as required by regulatory authorities.

Complete Medical Check-Up: Ensure all employees undergo mandatory medical examinations as required.

Register on The Ministry of Labour: Open a labour office file.

Register on Muqem Portal: Complete registration on the Muqem portal for residency and labor-related services.

Register for VAT: Obtain VAT registration to comply with taxation regulations.

Issue Iqama (Residency Permit): Process and obtain residency permits for your company's general manager.

Arrange Health Insurance: Provide health insurance coverage for your employees in compliance with Saudi Arabian labor laws.

Open Bank Account: Open a corporate bank account with a local bank to facilitate business transactions.

Obtain Fasah License: Secure the Fasah license for import and export services if applicable to your business.

Qiwa

The Saudi Arabian Ministry of Human Resources and Social Development created the online platform Qiwa to make founding and operating a business in the Kingdom easier and more streamlined. It is an integrated platform that offers numerous services and tools for businesses, such as creating a new company, issuing commercial permits, enabling access to financial institutions, and offering training and development programs.

Muqem

"Muqem" service allows organizations to review their resident worker's data and complete their transactions online, anytime and anywhere. The portal is one of many digital services provided by Elm, a Saudi entity owned by the Saudi Public Investment Fund (PIF).

Muqem Service

1. Issue, cancel, renew print single exit re-entry visa, or final exit visa.
2. Issue or renew all types of residence permits.
3. Review and print Passport or Traffic Department reports, interactive services, subscriptions, transactions, or payments.
4. Sponsorship Transfer.
5. Profession modification.
6. Residence Permit printing.
7. Complete different forms (Completed electronically by typing the Iqama number).

Mudad

Mudad is a digital system that provides a Payroll System and a Compliance System for Small and Medium Establishments from (1-1000) employees.

Payroll System: It is a high-level digital system to regulate the payment of wages that contains instant and accurate information on the state of wages, facilitates wage calculation, and raises the level of its protection.

The Payroll System provides the following Services:

Data Management: The system provides the establishment's and employee's data directly from the Social Insurance System (GOSI) with the ability to edit the data.

Issuing an E-wallet: The ability to issue E-wallets through the system and use it as a bank account to transfer employees' salaries.

Payroll Management: The ability to create payroll and manage transfer data through saving and processing employees' salaries with added allowances and deductions then sending it to the bank.

What Is Fasah Registration.

The Single window services (Fasah) allow shipping agents to provide information about the upcoming tugs to the Saudi ports (commercial / industrial) electronically before the date of arrival of the ship to the port, and register the passenger information all ship's information must be checked before arrival at Saudi ports.



NAVIGATING THE TAXATION SYSTEM

The government authority that administers and collects Zakat and tax liabilities is the Zakat, Tax and Customs Authority ("ZATCA", formally known as "GAZT") which is a separate authority under the Saudi Ministry of Finance.



Corporate Income Tax rates and fiscal years:

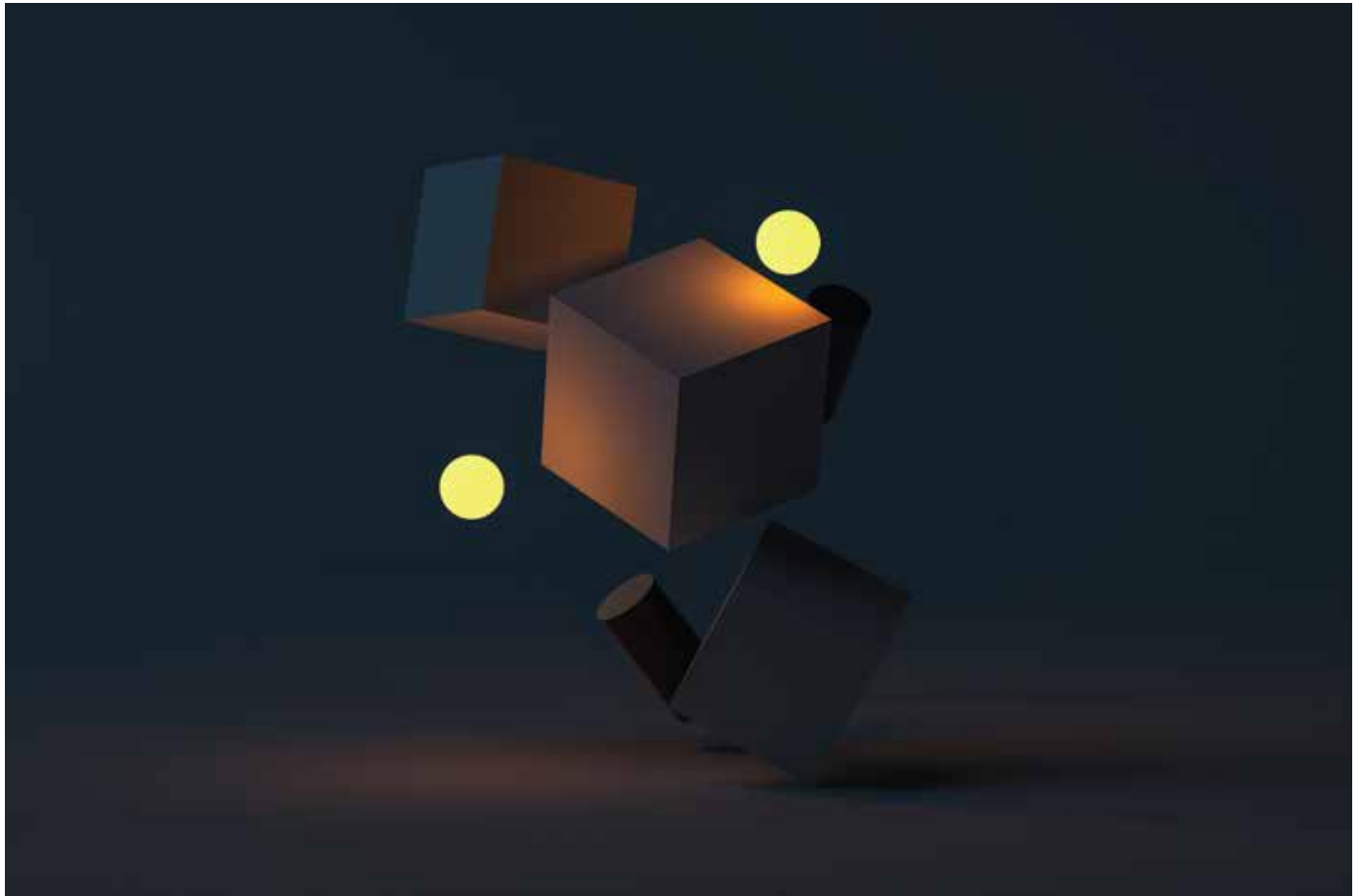
Corporate Income Tax rates and fiscal years. The corporate income tax rate on taxable net income allocated to foreign shareholders is generally a flat rate of 20%.

Withholding Tax: Service, interest, royalty, and dividend payments made from a resident party or a PE of a non-resident party to a non-resident are subject to withholding tax (WHT) at a rate that varies from 5% to 20% according to Saudi tax regulation based on the payment nature and the relationship with the beneficiary.

Capital gains Tax: Capital gains are taxable at 20% according to the Saudi Income Tax Regulations.

Understanding the Value Added Tax (VAT) Regime: The VAT regime was implemented in KSA effective 1 January 2018. Supplies of goods and services broadly (with few exceptions) are subject to a VAT rate of 15%.

IMPORTANT CONSIDERATIONS



GOSI: Social Insurance Requirements: The General Organization for Social Insurance (GOSI) is a major government entity in the Kingdom of Saudi Arabia (KSA) that implements the country's Social Insurance Law. GOSI percentage for Saudi nationals is 21.50%.

Managing Exit/Re-Entry Visas: The government of Saudi Arabia has made it clear that expatriates with exit/re-entry visas are permitted to come back to the country until the expiration date of their visa. The Jawazat (Directorate General of Passports) has announced that individuals holding these visas can prolong their visa duration from abroad online using the Absher or Muqem platform. It's important to note that expatriates must have a passport validity of at least 90 days for an exit/re-entry visa and 60 days for a final exit visa.

SAUDIZATION:

Encouraging Local Employment: The KSA's Saudisation policy aims to encourage the employment of KSA nationals in the private sector. The policy is supported by the Nitaqat scheme which mandates all private sector entities to employ a certain ratio of Saudi nationals in their workforce based on the size of the entity and the sector in which it operates authority under the Saudi Ministry of Finance.

Expatriate Levy: Understanding the Costs for Foreign Employees: Saudi Arabia has implemented an Expatriate levy effective 1 July 2017 which pertains to both employees and their dependants. Companies would have to pay a monthly fee of SAR 800 if they employ more foreigners than Saudi nationals. Foreign nationals will pay a monthly fee of SAR 400 for each dependent they sponsor.

RECAP OF KEY INSIGHTS

As you conclude your journey through this guide, it's clear that establishing a business in Saudi Arabia is both an exciting and strategic move. The Kingdom's evolving economic landscape, driven by Vision 2030, offers a wealth of opportunities for entrepreneurs and businesses ready to innovate and grow.

Preparation and Research: Thorough preparation is the foundation of success. Understanding the local market, legal requirements, and cultural nuances are essential.

Choosing the Right Structure: Selecting the appropriate legal structure for your business ensures compliance and positions you for growth.

Licensing and Registration: Navigating the licensing and registration process efficiently will help you establish a firm legal presence in the Kingdom.

Financial Management: Sound financial planning, including understanding the tax landscape and ensuring proper accounting practices is crucial for sustainability.

Post-Incorporation Activities: Once established, focusing on market entry strategies, hiring the right talent, and fostering local partnerships will drive your success.

Saudi Arabia stands at the cusp of a new era, and by choosing to establish your business here, you are positioning yourself at the forefront of this transformation. The journey may be challenging, but the rewards are immense. With the right approach, your business can thrive and contribute to the Kingdom's ambitious vision.

WHAT NEXT?

Refine Your Strategy: Continuously refine your business strategy based on the insights gained from this guide.

Engage with the Experts: Seek advice from local experts and consultants who can provide personalized guidance.

Monitor Developments: Keep an eye on economic and regulatory developments to stay ahead of the curve.

Saudi Arabia offers a unique blend of opportunities and potential. By leveraging the insights and strategies outlined in this guide, you are well-equipped to navigate the journey ahead. Embrace the challenge, seize the opportunities, and let Saudi Arabia be the foundation of your entrepreneurial success.

ABOUT US

At Beacon, we recognize the challenges of navigating the ever-evolving business landscape in the GCC. Our team of seasoned professionals, including accountants, auditors, financial analysts, and technology experts, offers a wealth of experience and knowledge to guide your success. We don't believe in a one-size-fits-all approach. Our comprehensive suite of services encompasses strategic business consultation, efficient incorporation support, and robust financial and accounting solutions. We work closely with you to tailor our services to your specific needs and goals, ensuring a strong foundation for sustainable growth.

Transparency and compliance are paramount in today's business environment. Our dedicated team of auditors and tax advisors ensures you meet all legal obligations while optimizing your tax position. Additionally, we leverage advanced technology solutions to drive operational efficiency and keep you ahead of the curve. With a strong presence across the GCC, we provide comprehensive support throughout your business journey. We are committed to helping you achieve your goals and thrive in Saudi Arabia's dynamic market.

1000+
Projects Completed

5
Countries

800+
Satisfied Clients

