



# Part 2 – Market Entry, Investment and Entrepreneurship





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# 1. Foreign investment framework & ownership

By BLK Partners



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# 1. Foreign investment framework & ownership



## LEGAL FRAMEWORK AND ITS EVOLUTION

Since 2000, foreign investment in Saudi Arabia has been governed by the Foreign Investment Law (Royal Decree M/1, 2000) and implemented by the Saudi Arabian General Investment Authority (SAGIA), then transformed in 2020 into the Ministry of Investment (MISA), signaling a stronger, cabinet-level focus on investment promotion.

MISA has since deployed extensive digital licensing and one-stop-shop capabilities, particularly via its e-services and the Saudi Business Center, to shorten processing times and coordinate with other government entities.

A major structural change occurred with the updated (unified) Investment Law, approved in 2024 and in force since February 2025. This new law:

- **Replaces the previous Foreign Investment Law** and creates a single framework for both Saudi and

non-Saudi investors, with equal treatment in principle except for activities reserved for Saudis (national security and other sensitive sectors).

- **Streamlines market entry:** the former “foreign investment licence” regime is being replaced by a lighter registration process with MISA, though sectoral approvals (e.g. in regulated industries) still apply.
- **Strengthens investor protections:** guarantees fair and equitable treatment, safeguards against expropriation except with due process and fair compensation, and confirms the right to transfer profits and liquidation proceeds abroad.

Foreign investors must still comply with all Saudi laws and international agreements to which the Kingdom is a party; in practice this means investment regulations, company law, sector-specific rules, tax and Zakat rules, labour and Saudization requirements, and relevant bilateral treaties (including the France–KSA investment protection and double-tax treaties).

## FORMS OF PRESENCE AND PRACTICAL CHOICES

MISA continues to recognise several main legal vehicles for foreign investors, with different implications for governance, regulatory scrutiny, capitalisation and exit, and the optimal form varies with the project profile.

- **Limited Liability Company (LLC)** – Default corporate form for foreign investors in operating businesses, allowing multiple shareholders and flexible internal governance.
- **One-Person LLC** – LLC wholly owned by a single shareholder, often used by groups to hold operating subsidiaries or project vehicles while simplifying governance.
- **Joint Stock Company (JSC)** – More formal governance, suited to larger industrial or infrastructure projects, regulated activities and ventures that may tap capital markets over time.



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- **Branch of a foreign company** – No separate legal personality; the foreign entity is directly liable, which can simplify repatriation but raises risk and sometimes commercial-perception issues.
- **Professional company** – Used for regulated professional services (legal, engineering, medical and similar), often with specific licensing and shareholding rules.

In all cases, foreign investors must obtain an investment registration with MISA (previously an “investment licence”), with requirements that vary by activity and nationality, including corporate documents, evidence of financial capacity and, in some cases, feasibility studies for capital-intensive or regulated projects.

## Pros & cons by use case

### SME market-entry platform (commercial/consulting/services)

LLC or One-Person LLC is generally preferred because it is familiar to authorities, flexible, and easier to

manage than a JSC. It is also acceptable for most service, trading and light-industrial activities.

A branch can be used when the group wants tighter head-office control or to serve as a cost centre, but direct parent liability and some counterparties’ procurement rules may favour a local company instead.

### Industrial/large capital projects (manufacturing, logistics, energy supply chain)

JSC or multi-shareholder LL is interesting because it facilitates joint-venture arrangements with Saudi partners, governance with reserved matters, and potentially supports future listing or institutional investment.

Using an LLC or JSC can also help qualify for industrial licences and customs-duty exemptions on machinery and inputs when projects fall under industrial-development regimes.

## Joint venture with local partners

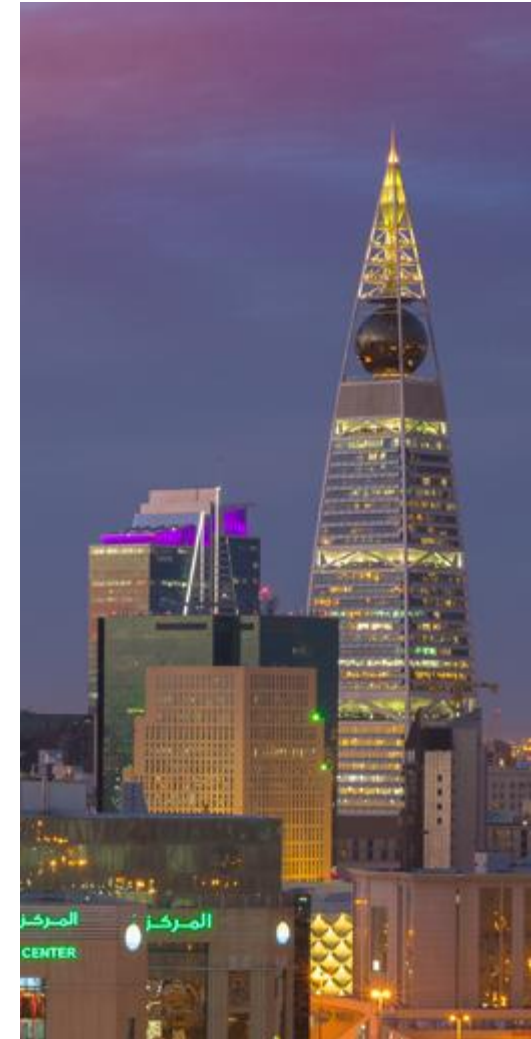
LLC and JSC are both widely used. The choice depends on scale and regulatory context.

The unified Investment Law maintains the possibility of mixed Saudi/foreign equity structures, while giving foreign investors clearer protections and equal-treatment principles, which should be reflected in JV documentation and dispute resolution clauses.

## REGIONAL HEADQUARTERS

Saudi Arabia’s Regional Headquarters (RHQ) regime has become a central pillar of the Kingdom’s strategy to attract multinational groups, and it is now a gateway requirement for serious, recurring participation in Saudi public business.

By early 2026, more than 700 multinationals had established RHQs in Riyadh, exceeding the program’s initial targets.



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## Policy context and tender access

Since January 2024, Saudi government entities, including ministries, agencies and many state-owned entities and funds, apply procurement controls that restrict awarding most higher-value contracts to foreign groups that do not have a registered RHQ in the Kingdom. In practice, tenders above defined monetary thresholds (commonly cited around SAR 1 million) may exclude non-RHQ bidders at pre-qualification stage, with only limited exemptions.

This RHQ condition targets the group that ultimately provides the product or service, not only its local subsidiary, and it is enforced through procurement controls that require bidders to declare their RHQ status.

In 2026, the Local Content and Government Procurement Authority issued formal guidance clarifying when non-RHQ bidders may be accepted: (i) where only one technically compliant offer is received, or (ii) where the non-RHQ bid

is technically the strongest and at least 25% lower in price than the second-best offer.

Importantly, the RHQ itself is a non-revenue-generating coordination hub: eligible operating entities (Saudi subsidiaries or branches) continue to execute contracts and issue invoices, while the RHQ provides regional oversight and support.

## Eligibility criteria and legal set-up

Saudi Arabia defines an RHQ as a unit of a multinational group established under Saudi law to support, manage and provide strategic direction to group entities operating in the Middle East and North Africa.

To qualify, key criteria include:

- The applicant must be part of a multinational group with at least two subsidiaries or branches in two different countries other than Saudi Arabia and the group's home jurisdiction.
- The RHQ must be established as a legal entity with separate legal

personality in Saudi Arabia and registered as a foreign-owned company with MISA.

- The RHQ must maintain a physical office in the Kingdom that serves as a genuine centre of administrative power for the designated region.
- By design, the RHQ may not conduct commercial operations that generate revenue. All revenue-earning activities must sit in separately licensed operating entities.

Minimum capital requirements are not rigidly fixed in law, but market guidance points to at least a modest share capital to cover ramp-up costs.

## Licence structure and permitted activities

RHQs are licensed for a defined set of functions, which are categorised as mandatory and optional activities.

**Mandatory activities** cover strategic direction and management functions, such as:



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- Regional strategy formulation and monitoring.
- Business planning and budgeting.
- Corporate governance oversight, risk and compliance coordination.
- Senior-level regional management and performance monitoring.

**Optional activities** are support functions that add value to group operations in the region, typically drawn from areas such as:

- Human resources management, talent development and training.
- Finance, treasury, accounting support and internal control.
- Marketing, brand management, communications and business development support.
- Procurement, supply-chain support and logistics planning.
- Legal, compliance and internal audit support.

**Timing obligations** are strict:

- The RHQ must start operations within 6 months of licence issuance
- It must activate at least three optional activities within the first year of licence operation.

Failure to meet these substance obligations can jeopardise both the RHQ licence and the associated tax-incentive status.

## **Staffing, executives and Saudisation**

The RHQ regime is explicitly designed to anchor real decision-making and talent in Saudi Arabia.

**Minimum headcount:** the RHQ must employ at least 15 full-time employees conducting RHQ activities within 12 months of licence issuance.

**Executive presence:** at least 3 senior management-level staff (C-suite or equivalent regional executives) must be based in Saudi Arabia, with their employment contracts and salaries located in the Kingdom.

**Saudisation:** Qualifying RHQs benefit from a formal three-year exemption from Saudisation requirements, alongside an expanded access to professional work visas, the right for spouses to work, and an extended dependant-age limit of 25.

Over time, however, RHQs are expected to contribute to nationalisation objectives in line with evolving Nitaqat and localisation policies, particularly for non-executive and mid-management roles.

In practice, multinationals typically staff their RHQ with a mix of expatriate regional leaders relocated to Riyadh and Saudi nationals in functional and support roles, both to meet program expectations and to access local market insight.

## **Benefits and interaction with other licences**

For qualifying multinationals, the RHQ regime offers a bundle of regulatory, commercial and fiscal benefits. At a high level:

### **Tender and procurement benefits**

- Eligibility to participate, through local operating entities, in the full pipeline of Saudi government and PIF-linked tenders that are effectively restricted to RHQ-compliant groups



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- Reduced risk of disqualification or pricing penalties in high-value public procurement.

**Tax and fee incentives:** A headline 30-year tax package was announced by MISA on 5 December 2023, with ZATCA implementing guidelines issued on 16 February 2024, for RHQ entities, including;

- 0% corporate income tax on income from approved RHQ activities
- 0% withholding tax on certain payments by the RHQ to non-resident related and unrelated parties, limited to eligible categories defined by ZATCA
- Potential relief from or reduction of some Saudisation and government fee burdens during an initial period, subject to evolving rules and individual assessments.

**Regulatory facilitation and ecosystem access:**

- Priority support from MISA and partner entities for visas, work permits for key staff and practical set-up issues

- Enhanced access to government stakeholders and policy-dialogue platforms, which can be important for sector-specific advocacy and long-range planning.

## Interaction with other licences

The RHQ licence sits alongside, rather than replacing, sectoral and commercial licences (e.g. commercial, industrial, professional, logistics) held by the group's Saudi operating entities.

Operating entities remain responsible for VAT, Zakat, corporate tax and Saudisation applicable to their revenue-generating activities, even if the RHQ itself enjoys a preferential tax regime on its eligible coordination functions.

Where intra-group services are cross-charged, transfer-pricing and economic-substance principles will apply; ZATCA has issued specific guidance on RHQ incentives and substance tests.



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## OWNERSHIP AND RESTRICTED SECTORS

### 100 % foreign ownership

The former Foreign Investment Law already allowed 100 % foreign ownership in many sectors, eliminating the historical Saudi-partner requirement subject to regulatory conditions.

Under the 2025 Investment Law, the default is now “freedom of investment” for both Saudi and non-Saudi investors, except for activities reserved for Saudis or considered sensitive (national security, certain strategic resources and similar).

In practice, 100 % foreign ownership is generally possible in:

- Most manufacturing and industrial activities.
- ICT, many business-services and consulting activities (subject to licensing criteria, including qualifications for professional services).

- Many logistics, distribution and e-commerce activities, in coordination with the transport and logistics regulators.
- Numerous high-priority Vision 2030 sectors such as renewable energy supply chain, tourism projects, healthcare facilities, and selected defence-industrial and aerospace activities, again subject to approvals.

### Negative list and sensitive sectors

Despite increasing openness, MISA maintains a “List of Excluded Activities” (formerly known as the “negative list”) in which foreign participation is prohibited or restricted, primarily for reasons of national security, strategic control or social policy.

Typical categories include:

- Certain upstream oil, gas and natural-resource exploration and production.
- Activities tied to internal security, some media and publishing activities, and certain religious sensitive services.

- Some segments of real-estate activities in holy cities and other designated areas, which remain reserved or tightly controlled.

The List of Excluded Activities is periodically updated.

Companies should always check the latest MISA Service Manual or consult counsel before assuming an activity is open to 100 % foreign ownership.

Even in open sectors, sector-specific regulators (e.g. in telecoms, banking, insurance, aviation, education or healthcare) may impose fit and proper tests, experience requirements, capital thresholds or other conditions on foreign-owned operators.





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## 2. Step-by-step company registration journey

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## 2. Step-by-step company registration journey



Saudi Arabia now offers a largely integrated, digital company-setup journey, but foreign investors should still plan for 6–10 weeks from first application to being fully banked, staffed, and visa-ready.

### REGISTRATION JOURNEY: FROM MISA TO OPERATIONS

The end-to-end path for a 100% foreign-owned LLC or branch typically follows this sequence:

#### 1. MISA investment license (Invest Saudi)

Objective: Authorise foreign ownership for your chosen activities (LLC, branch, JSC/SJSC, professional company, RHQ, etc.).

Main documents (group level):

- Parent commercial registration and good-standing certificate, board resolution approving KSA investment, power of attorney for the local signatory.
- Last audited financial statements and UBO disclosure; activity-specific documents for

regulated sectors (financial services, healthcare, education, defense, etc.).

**Typical timeframe:** 2–4 weeks, assuming all documents are legalized and translated.

#### 2. Articles of Association (AoA) and incorporation deed

- Once the license is issued, your lawyers/notary prepare and sign the AoA through the Ministry of Commerce's online system.
- For LLCs, this is usually a standard template adapted for governance, capital and profit distribution; SJSCs have more flexible share and governance mechanics and suit larger or multi-investor structures.

#### 3. Commercial Registration (CR) under the 2025 unified law

The new Commercial Register Law (effective April 2025) creates a single national commercial register per merchant, eliminating separate branch CRs.



# 2. Step-by-step company registration journey



Key implications:

- One CR can cover multiple activities and branches nationwide, if structured as one legal entity.
- Annual “confirmation” replaces expiry dates: companies must verify and update details via business.sa.

**Typical timeframe:** 3–7 working days once AoA is executed and fees paid.

## 4. Tax and Zakat registration (ZATCA)

- ZATCA opens a file for CIT/zakat and VAT obligations; you then complete online registration and select your tax periods.
- Corporate income tax applies to non-GCC foreign ownership at 20% of taxable profits; Zakat applies to Saudi/GCC shareholding at 2.5%; VAT is 15% on most supplies.

**Timeline:** 3–7 working days once CR and basic entity data are in place.

## 5. Labour and social insurance: MHRSD, Qiwa and GOSI

MHRSD/Qiwa:

- Create your Qiwa account, link your CR, and obtain your establishment

number; this is used for work visas, employment contracts and Saudization monitoring.

- Your Nitaqat (Saudization) category will later drive how easily you can obtain work visas and renewals.

GOSI:

- Register to manage social security contributions for all staff.

**Timeline:** 3–7 working days once CR is active; setup is entirely online.

## 6. Municipal and sectoral permits

A physical office or licensed co-working space is mandatory for commercial and service activities; the lease must be registered on Ejar.

You will usually need:

- Municipal license for your premises (Baladiyah),
- Sector regulator approvals depending on your activities.

**Timeline is highly variable** by city and sector (from a few days for standard office to several weeks for regulated activities).

## 7. Corporate bank account

A Saudi corporate account is required for VAT and tax payments, payroll, and operational transactions.

Most banks request:

- MISA license, CR, AoA, ZATCA and GOSI confirmations, office lease, UBO chart and KYC, and often the General Manager’s iqama or visa.
- Expect enhanced KYC for complex structures or higher-risk sectors.

## 8. Visas, work permits and iqama for executives

Once the entity is live in Qiwa and GOSI, it can request:

- Block visas for foreign staff,
- Individual work visas for Executives and key expatriates.

**Process:** Work visa authorization (MHRSD), consular visa issuance, entry to KSA, medical tests, work permit and iqama issuance, and finally enrollment in health insurance.

**Timelines:** 2–4 weeks for initial work visa plus 7–14 days for iqama issuance after arrival in typical cases.



# 2. Step-by-step company registration journey



## PRACTICAL SEQUENCING

### 1. Pre-structuring (offshore)

- Choose the legal structure under which you will register in Saudi Arabia, based on your development strategy, on available incentives, and on the requirements to obtain the license needed for your activity: 100% foreign investment? Joint-venture with a local partner (if yes, which percentage)? Franchise or licensing?
- Align global tax, treasury and governance; decide between LLC, branch, SJSC or RHQ entity based on activity and listing/exit options.
- Pre-approve capital levels and banking relationships, and map UBOs with supporting evidence.

### 2. Regulatory front-loading

- Legalize and translate corporate documents, financials and powers of attorney in home jurisdiction before launching MISA.
- Clarify whether any sector regulator (CMA, SAMA, MOH, etc.) must be consulted ahead of MISA licensing.

### 3. Parallelisation after license

- Run AoA/CR, municipal office search, and bank RFP in parallel rather than sequentially; this can shave several weeks off the timeline.
- Initiate Qiwa/GOSI enrolment as soon as the CR is live, even if hiring will occur later.

### 4. Talent and Saudization strategy

- Design a Saudization roadmap early (including use of outsourcing, PEOs or shared services) to avoid Nitaqat constraints blocking work visas six to twelve months later.

Timelines may be impacted by public holidays in Saudi Arabia, but also in your country of origin. Take this into consideration when starting your registration process.

## COMMON BLOCKERS

### Document attestations and translations

- Incomplete legalization of parent company documents and diplomas (for regulated professions) remains

the single largest cause of delay, often adding 3–6 weeks.

- Some embassies and cultural offices have multi-step procedures for degree attestation and criminal record extracts, particularly for work visas.

### Bank KYC and UBO transparency

- Complex shareholding structures, trusts or funds can trigger prolonged compliance reviews; local banks expect clear UBO charts down to natural persons and sanctions screening.
- Absence of a physical office, or inconsistencies between lease, CR address and actual operations, can lead to rejection or re-onboarding.

### Mismatch between licensed activities and actual operations

- If the activity selected at MISA/CR stage does not match your real business model, you may face further licensing rounds or be unable to issue correct invoices, hire the intended profiles, or join specific tenders.

### Saudization/Nitaqat and visa quotas

- Low Nitaqat categories can restrict your ability to obtain or renew non-Saudi staff visas; some roles are reserved for Saudi nationals only.
- Saudization of senior roles in RHQs (e.g. requirement to base regional leadership in KSA) must also be factored into staffing plans.

### Sector-specific additional licences

- Healthcare, financial services, defence, education, logistics hubs, and some digital activities require separate regulator approvals that may add months.
- Restricted activities may also require professional licenses and/or a local partner. This may not only add some delays in the registration process, but also lead to considerable problems if the shareholding and legal structure chosen for the CR doesn't match the requirements of the license.



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# 3. Entrepreneurship for French founders

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# 3. Entrepreneurship for French founders



Saudi Arabia offers several structured routes for foreign entrepreneurs, from classic foreign-investment entry to startup-specific entrepreneur licences linked to incubators and Monsha'at programs.

## ENTRY OPTIONS FOR FRENCH ENTREPRENEURS

French founders typically choose between three main paths, depending on maturity, capital and risk appetite.

### 1. Standard foreign-investment route (MISA investor licence)

**Best for:** Established French SMEs and scale-ups with existing revenues and audited accounts, often using a French holding company.

#### Features:

- MISA “services” or “industrial” licence, 100% foreign ownership where allowed, plus a Saudi LLC, SJS or branch.
- Requires parent commercial registration, last audited financial statements, board resolution and power of attorney.

- Higher minimum fees and stricter documentation than the entrepreneur track, but maximum flexibility and credibility with banks and large clients.

### 2. Entrepreneur licence (MISA startup track)

**Best for:** Innovation-driven startups that may not yet have a foreign parent company but can show a scalable model and incubator/VC backing.

#### Features:

- Lower licensing fees for the first years and softer capital expectations; no substantial paid-up capital deposit at licence stage in most cases.
- Mandatory support letter from a recognised incubator, accelerator, VC fund or university program.
- Faster processing (5–7 business days after a complete digital filing) through MISA’s e-services.

### 3. Incubator-sponsored structures

**Best for:** Early-stage founders testing the market, or executives spinning out a venture while still employed.

#### Models:

- Incubator hosts the legal entity or co-owns a vehicle that holds IP and signs early customer contracts.
- Business Incubators and Accelerators Company (BIAC) and other platforms offer “soft-landing” packages combining office space, regulatory setup and market-development support.
- Advantage: Reduces initial fixed costs and provides local credibility and networks; can be used to qualify for a MISA entrepreneur licence once traction is proven.

## MISA’S ENTREPRENEUR LICENCE AND THE ROLE OF INCUBATORS

The entrepreneur licence is designed to bridge Saudi Arabia’s mainstream foreign-investment regime and its fast-growing startup ecosystem.

#### Core concept:

- A specific MISA licence category for innovation-based startups, often in tech, digital, sustainability or knowledge-intensive services.



# 3. Entrepreneurship for French founders



- Allows 100% foreign ownership for qualifying founders, subject to sector restrictions and negative list.

## Eligibility:

- Innovative or tech enabled business model with clear scalability.
- Detailed business plan and financial projections; proof of initial funding or ability to self-finance early operations.
- Founders usually 21+ with relevant experience; clean track record and clear UBO disclosure.

## Interaction with incubators, accelerators and VCs:

- A support letter from a recognised incubator/accelerator or VC is normally mandatory and is treated as a quality-filter on deal-flow.
- Monsha'at and BIAC jointly run a Virtual Startup Accelerator and programs that provide mentoring, market research and investor readiness.
- Many incubators also help with post-licence execution: CR registration, visa strategy, initial hiring and introductions to banks.

## Lifecycle:

- Years 1–3: preferential fees and support; monitoring of milestones through reports or incubator feedback.
- After 3 years: licence can be renewed or migrated to a standard investor licence as the company scales; at that stage, expectations on capital, Saudization and governance converge with mainstream investors.

For French founders, the question is whether the business is startup-grade or best treated as a classic foreign subsidiary; this choice drives both documentation and partner selection.

## MONSHA'AT SUPPORT: SME CLASSIFICATION, MAZAY AND FINANCE

Monsha'at (the SME Authority) is the central policy and support platform for smaller businesses and plays a direct role in founder economics.

## SME classification

Monsha'at defines enterprises as:

- Micro: 1–5 employees, revenues up to SAR 3m.
- Small: 6–49 employees, revenues SAR 3–40m.
- Medium: 50–249 employees, revenues SAR 40–200m.

Obtaining an official SME certificate unlocks access to Monsha'at incentives, procurement preferences and some finance programs.

## Mazaya platform

Mazaya aggregates discounted services from private providers for SMEs, including:

- Marketing and advertising support.
- Health-insurance packages.
- Co-working spaces.
- Accounting and back-office services.
- Discounts can be significant and are often partially subsidised by the state, which lowers the fixed-cost burden during the first years.

## Finance, guarantees, mentoring

Monsha'at's broader toolbox includes:

- Government cost calculators and feasibility tools.

- Loan-guarantee schemes and co-lending with local banks (often via partner entities such as Kafalah, Saudi EXIM and development funds).
- Hundreds of accelerators, incubators and co-working spaces (273+ licensed ecosystem entities), with sector-specific programs in education, tourism, digital and manufacturing.
- Training and mentoring: more than 100,000 beneficiaries have gone through Monsha'at training programmes, many targeted at startup founders and SME owners.

For French entrepreneurs, Monsha'at is effectively the “operating system” for incentives; aligning with its definitions and programs materially improves access to subsidies and capital.



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# 4. Incentives for manufacturing & strategic sectors

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# 4. Incentives for manufacturing & strategic sectors

## CORE INCENTIVE FAMILIES

### Tax & Zakat Relief

- Reduced 5% corporate income tax rate for up to 20 years for licensed entities in the KAEC, Ras Al-Khair and Jazan SEZs, plus Zakat exemption for qualifying licensed activities.
- Long tax holidays for registered Regional Headquarters (RHQ) entities on qualifying activities.
- Relief or exemptions from withholding tax on some payments connected to licensed SEZ activities, depending on conditions.

### Customs & Import-Duty Exemptions

- Industrial duty exemptions for approved industrial projects on machinery, equipment, raw materials, and spare parts, under the Industrial Law.
- Customs-suspension regimes and bonded zones, including the Special Integrated Logistics Zone (SILZ) at King Khalid International Airport and other SEZs, allowing deferred duties on goods re-exported or processed for export.

### Land & Infrastructure Support

- Access to serviced industrial, logistics, or office land in industrial cities and economic zones at preferential long-term lease terms, in partnership with the Saudi Authority for Industrial Cities and Technology Zones (MODON).
- Priority access to strategic infrastructure for flagship and strategic projects aligned with Vision 2030 clusters, including NEOM, Red Sea Global, SPARK, Diriyah, and ROSHN.

### Financing Tools & Soft Support

- Co-financing and credit facilities through national development funds. The Saudi Industrial Development Fund (SIDF) offers project financing of up to 75% of capital cost, with strategic projects eligible for loans of up to SAR 1 billion. The Industrial Sector Support Initiative (ISSI) adds further sub-programs, including soft loans for promising factories and the "Tanafusiya" accelerator track.
- 75% loan guarantees for SMEs through Kafalah and others.



# 4. Incentives for manufacturing & strategic sectors



- RHQ and investor aftercare services including facilitation of visas and permits, workforce recruitment, fast-track regulatory interfaces, and post registration problem solving.

## MANUFACTURING INCENTIVES

The Kingdom's industrial sector has been averaging 7.5% annual growth and is the third-largest non-oil contributor to the national economy. As of end-2024, more than 12,000 factories were operating, supported by 40 industrial cities. The National Industrial Strategy targets 36,000 factories by 2035, including 4,000 fully automated facilities.

### The National Industrial Strategy

Released in late 2024, the National Industrial Strategy (NIS) serves as a roadmap to accelerate and diversify the Kingdom's industrial base. It is built around four core enablers supported by over 140 initiatives: maximizing the value of natural resources, securing raw-material availability, enhancing exports, and

developing specialized industrial clusters. As of mid-2025, the Ministry of Industry and Mineral Resources oversees 1,900 industrial projects with total investments of SAR 380 billion.

### The Standard Incentives Programme (SAR 10 Billion)

In 2025, the government launched the Standard Incentives Programme for the industrial sector with a budget of USD 2.66 billion. It is designed to promote the manufacture of products not currently produced in the Kingdom, targeting sectors with high import dependency. It is projected to generate around SAR 23 billion annually in GDP.

Key features:

- Coverage of up to 35% of the initial project investment, capped at SAR 50 million per qualifying project.
- Support split evenly across the project: 50% during construction and 50% during production.
- Phase 1 targets: transformative chemical industries, automotive manufacturing and parts, and

machinery and equipment. Subsequent phases were rolled out in 2025, broadening eligible sectors to include aviation, food, medical devices, and pharmaceuticals.

- Open to both foreign and domestic investors. Any investor registered in Saudi Arabia can apply regardless of nationality.

### Industrial Licences & Customs Incentives

Obtaining an industrial licence unlocks the full incentive toolkit. Licensed manufacturers benefit from customs-duty exemptions on imported machinery, equipment, raw materials, spare parts, semi-manufactured materials, and packing materials required for immediate industrial production.

The licensing process is administered by the Ministry of Industry and Mineral Resources, with applications submitted through the national digital portals. Vision 2030 aims to triple the Kingdom's industrial capacity, and the licensing pipeline reflects this ambition.



# 4. Incentives for manufacturing & strategic sectors



## The Made in Saudi Programme

Launched in March 2021 under the National Industrial Development and Logistics Program (NIDLP) and managed by the Saudi Export Development Authority (Saudi Exports), Made in Saudi is both a certification mark and a national branding campaign. Its mission is to position Saudi products as the preferred choice for domestic and international consumers and to grow non-oil exports to 50% of non-oil GDP by 2030.

For international manufacturers setting up local production, Made in Saudi certification offers a powerful market-access tool, signaling quality, local content, and alignment with Vision 2030 priorities. The program's annual Made in Saudi Expo generated more than 100 agreements and MoUs between government entities and local and international companies. The program also runs a dedicated storefront on Amazon Saudi Arabia, giving certified producers direct e-commerce exposure.

## Export-Oriented Support

The Saudi Export Development Authority offers exporters market intelligence, trade-finance facilitation, and access to international exhibitions. Combined with Made in Saudi branding and preferential trade agreements, including the GCC Economic Agreement, the GCC–EFTA Agreement, the GCC–Singapore FTA, and the Greater Arab Free Trade Area (GAFTA), manufacturers in the Kingdom can access markets across the Middle East, Africa, Europe, and Asia with reduced or zero tariffs on qualifying goods.

### ALAT: NEW INDUSTRIAL CHAMPION

The most significant developments in the Kingdom's industrial ambition is Alat (Arabic for "machine"), a PIF-backed company launched in 2024 by HRH Crown Prince Mohammed bin Salman. Backed by a \$100 billion commitment, Alat aims to make Saudi Arabia a global hub for sustainable technology manufacturing.

## Strategic Scope

Alat operates across seven strategic business units: semiconductors, smart devices, advanced industrials, smart buildings, smart appliances, smart health, and next-generation infrastructure.

It will manufacture more than 30 product categories, from robotic systems and communication equipment to advanced computers and heavy machinery used in construction, building, and mining. Its stated targets by 2030 are bold: 39,000 direct jobs and a \$9.3 billion contribution to non-oil GDP.

### Impact for Foreign Technology and Component Suppliers

Alat's model is built on global partnerships. For international technology companies and component suppliers, this creates tangible opportunities:

- **Joint ventures and co-investment:** Alat's preferred mode of engagement is structured

partnerships where global players contribute technology, IP, and manufacturing expertise while benefiting from PIF-backed capital, preferential land, and clean energy.

- **Supply-chain localization:** As Alat-backed factories scale production, demand for local and regional component suppliers, from printed circuit boards to precision machinery, will grow substantially.
- **Technology transfer and talent development:** Every partnership includes training and knowledge-transfer commitments, creating an ecosystem of skilled Saudi workers and technicians that further de-risks operations for additional entrants.
- **Clean-energy advantage:** Saudi Arabia's abundant solar and wind resources, with some of the world's lowest clean-energy generation costs, enable partners to pursue carbon-neutral production—a growing priority for global OEMs and their ESG commitments.

# 4. Incentives for manufacturing & strategic sectors



## SPECIAL ECONOMIC ZONES & FREE-ZONE-TYPE SCHEMES

Saudi Arabia's five Special Economic Zones (SEZs) sit at the core of the Kingdom's spatial incentives strategy.

Launched in 2023 by Crown Prince Mohammed bin Salman and regulated by the Economic Cities and Special Zones Authority (ECZA), these zones provide distinct regulatory and fiscal environments designed to attract high-value investment.

In January 2026, the Saudi Cabinet approved the regulatory bylaws for four of the five SEZs—Jazan, Ras Al-Khair, King Abdullah Economic City (KAEC), and the Cloud Computing zone—effective 16 April 2026.

This milestone codifies the incentive framework into binding regulation, providing investors with the legal certainty they need.

## The five zones at a glance

ZONE	LOCATION	SIZE	FOCUS SECTORS
<b>KAEC SEZ</b>	Red Sea coast, near Jeddah	60 km <sup>2</sup>	Automotive supply chain, consumer goods, ICT, pharma, MedTech, logistics
<b>Ras Al-Khair SEZ</b>	Eastern Province, Arabian Gulf	20 km <sup>2</sup>	Shipbuilding & MRO, mining, metallurgy, rig platforms
<b>Jazan SEZ</b>	Southern Red Sea, Jazan Province	—	Food processing, metal conversion, heavy industry, logistics
<b>Cloud Computing SEZ</b>	KACST Innovation Tower, Riyadh	—	Cloud computing services, data centres
<b>SILZ</b>	King Khalid International Airport, Riyadh	—	Integrated logistics, warehousing, re-export



# 4. Incentives for manufacturing & strategic sectors



## Typical Incentive Package

The newly codified regulatory frameworks for the industrial SEZs provide:

- **Corporate Income Tax:** Entities are subject to CIT under the Tax Law, with a reduced 5% rate available for up to 20 years for licensed entities in KAEC, Ras Al-Khair and Jazan SEZs. Zakat does not apply to licensed SEZ entities.
- **Withholding tax:** Exemptions on payments connected to licensed SEZ activities, easing repatriation of returns and service payments to foreign entities.
- **VAT:** 0% rate on goods supplied from the Saudi mainland into SEZs under customs-suspension arrangements, and 0% on intra-SEZ goods exchanged within and between zones.
- **Customs duties:** Suspended on goods imported for licensed activities. Duties apply only if goods

later enter the mainland market.

- **Exemption from standard Companies Law:** Tailored corporate-governance provisions with greater flexibility.
- **Relaxed Saudisation:** Dynamic Saudisation provisions allowing more flexibility in workforce composition.
- **Expat fee exemptions:** Exemption from applicable fees on expat workers and their dependants.

The Cloud Computing SEZ operates under a services-oriented model: its incentives focus on income-tax benefits and Zakat exemptions rather than customs or goods-related incentives, with competitive electricity pricing at \$0.05/kWh.





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# 5. Franchising in Saudi Arabia

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# 5. Franchising in Saudi Arabia

## LEGAL FRAMEWORK

The Saudi franchise regime is governed by the Franchise Law issued by Royal Decree M/22 of 2019 and its implementing regulations, which apply to both local and foreign brands.

### Definition and scope

A “franchise” covers granting the right to operate a business using the franchisor’s trademarks, know-how and business model in return for fees, under the franchisor’s control or significant assistance. The law applies to master-franchise and unit-franchise structures, regardless of whether the franchisor is Saudi or foreign, as long as the franchise is operated in the Kingdom.

### Experience requirement

The franchisor must have operated the relevant business format for at least one year and through at least one outlet before offering franchises. This applies equally where a master-franchisee will sub-franchise.

## Mandatory pre-contract disclosure

Franchisors must provide a Franchise Disclosure Document (FDD) at least a set period (14 days in practice) before signing the franchise agreement or any payment by the prospective franchisee, covering fees, territorial rights, training, support, IP, financial data and litigation history. Failure to disclose or misrepresentation may entitle the franchisee to rescind the agreement and claim damages.

### Registration obligations

Franchise agreements and key disclosure documents must be registered with the Ministry of Commerce’s franchise registry; registration is typically required before the franchisee starts operations.

Franchisees must also register their commercial entity (Commercial Registration), tax and Zakat with ZATCA, and comply with Saudization (Nitaqat) obligations like any other operating company.



# 5. Franchising in Saudi Arabia



## Ongoing obligations and termination

Franchisees must operate in line with the franchisor's system, allow inspections, share business data needed for system development and obtain approval for changes in location, concept or key suppliers.

The law provides specific protections on non-renewal and termination, including minimum notice periods and compensation rules where the franchisee has made significant non-amortised investments in reliance on the franchise.

In parallel, franchisors must consider other Saudi laws that affect their strategy, including foreign investment licensing (MISA), competition law, consumer protection and IP regulations (Saudi Authority for Intellectual Property).

## MONSHA'AT FRANCHISE CENTER AND PLATFORM

Monsha'at, the Small and Medium Enterprises General Authority,

operates a dedicated Franchise Center to promote franchising as a growth and localization tool. It is the main public interface for both Saudi and foreign brands interested in franchising into or from the Kingdom.

## Role and objectives

- Promote franchising as a structured SME growth model, increase the number of local and foreign franchise brands, and support job creation and non-oil GDP.
- Act as a technical hub for franchise capability building, funding facilitation, and dispute management rather than as a licensing regulator (which is the role of the Ministry of Commerce).

## Core services to franchisors and franchisees

### For brands (local and foreign):

- "Check Brand's Readiness for Franchise" diagnostic to assess whether the concept, documentation and systems are mature enough for franchising.

- Franchise Registration support and guidance alongside the official registry process.
- Tomoh Franchise Program and "Franchise Manager" service to structure manuals, FDDs, and expansion plans.
- Training via Monsha'at Academy and consultancy delivered through the Nawafith application and SME Support Centers.
- Brokerage licensing and a pool of licensed franchise brokers to connect brands and investors.

### For investors and SMEs:

- Online platform listing several thousand franchise and investment opportunities; the Center reports around 10,000 opportunities offered through the platform.
- Facilitation of franchise funding in cooperation with financial institutions; the Center has helped mobilize around SAR 1 billion in financing for franchise projects.
- Amicable dispute services to help resolve operational and contractual issues before escalation to formal litigation or arbitration.

