



# EXPANSION TO KSA

A Complete Business Setup Guide  
for Foreigners

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## Topic 01:

# What factors attract foreign investors to Saudi Arabia?

Setting up a business in Saudi Arabia presents numerous advantages for foreign entrepreneurs, driven by recent reforms and the Kingdom's strategic economic initiatives. Here are some compelling reasons why a foreigner should consider establishing a business in Saudi Arabia:

- Robust Economy
- Vision 2030
- 100% Foreign Ownership
- Special Economic Zones
- Government Support
- Strategic Location
- Low Tax Liability
- Large Consumer Base







## Topic 02:

# Types of business entities in KSA

- Limited Liability Company (LLC)
- Joint Stock Company (JSC)
- Foreign Company Branch
- Partnership
- Technical and scientific services office
- Regional Headquarters (RHQ)

Limited Liability Companies (LLCs) are the preferred choice for foreign investors seeking to establish businesses in KSA, offering flexibility, ease of setup, and the option of 100% foreign ownership in certain sectors. While Joint Stock Companies (JSCs) are suitable for larger-scale ventures, partnerships are commonly formed between Saudi and non-Saudi entities for collaborative endeavors.



## Topic 03:

# Types of Investment Licenses

Agricultural Investment License

Services License

Industrial License

Commercial License

Professional License

Real Estate Investment License

Scientific/Technical Investment License

Business Activity	Permitted Foreign Ownership (Maximum)
Services	100%
Manufacturing	100%
Trading (wholesale and retail)	75%
Professional services	75%



## » Topic 04:

# Documents required for company setup in KSA

## Documents required for company setup in KSA

- ▣ Memorandum of Association
- ▣ Articles of Association
- ▣ Company Business License of the parent company outside KSA
- ▣ Bank Reference Letter
- ▣ Valid Passports and IDs
- ▣ Commercial Registration Certificate
- ▣ Audited Financial Statement (Minimum 1 year)



## Overview of Saudi Portals: Muqem, Absher, Mudad, and Qiwa

In Saudi Arabia, several digital platforms facilitate various administrative processes for expatriates and businesses. The four key portals Muqem, Absher, Mudad, and Qiwa serve distinct functions within the labor market and governmental services.

Portal	Main Function	Target Audience	Key Services
Muqem	Residency & Visa Management	Expatriates	Expatriates
Absher	General E-Government Services	Citizens & Expatriates	Traffic fines, passport services
Mudad	Payroll & Compliance for SMEs	Small & Medium Enterprises	Payroll management, contract authentication
Qiwa	Labor Market Efficiency	Employers & Employees	Saudization plan, work permit transfers



## »» Topic 05:

# The Process to Set Up a Business in Saudi Arabia as a Foreigner





## Topic 06:

# Taxation System in KSA

### 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 dividends 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 varies from 5% to 20% according Saudi tax regulation based on the payment nature and the relationship with the beneficiary.

### Value Added Tax regime:

In Saudi Arabia, VAT is a standard 15% on all business transactions. The tax rate is the same regardless of whether the sale is conducted inside or outside the country. Companies with under 100,000 annual revenue are waived from VAT.

### Capital gains Tax:

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

### Corporate Zakat:

Zakat is an obligatory Islamic tax collected by the state. It is approximately 2.5% of the Zakat Base. Zakat Base can be calculated as: total sources of funding – fixed assets.







## Topic 07:

# Major Compliances in KSA

KSA closely monitors that companies follow regulatory requirements to ensure a free and fair business environment for everyone. De Tempête can expertly handle your compliance, and ensure your company documents are renewed on time:

- ▣ MISA Investment license Renewal
- ▣ Commercial Registration Renewal
- ▣ COC certificate Renewal
- ▣ National Address Renewal
- ▣ Qiwa and Muqem Portal Renewal
- ▣ Annually Income Tax Filing
- ▣ Quarterly VAT Return Filing
- ▣ Work permit, Iqama, and medical insurance Renewal
- ▣ Audit Report Submit





## Topic 08:

# Corporate Annual Operating Costs

### Corporate Income Tax rates and fiscal years:

Item	Cost
Ministry of Investment (MISA)	Annual License Fee : SAR 2,000 per year Subscription Fee : 60000 SAR/Year
All KSA Govt. Portals [Company Registration, COC, National Address, Muqem, Qiwa, Mudad, Absher Portal etc)	Approximately 8000 SAR/Year

### Labor Related Costs:

Item	Cost
Iqama & Work Permit Renewal	Work permit renewal : 800 SAR/ Month Iqama renewal : 650 SAR /Annually
Social Security Contributions	Saudi Nationals : 11.75% [Monthly] Non-Saudi Nationals : 2% (Contributions to the social security system are calculated based on the employee's gross salary, up to a maximum of SAR 45,000 per month. The minimum salary subject to contributions is approximately SAR 1,500.)
Medical Insurance	Basic plans start around SAR 1,000 annually, while comprehensive plans can reach SAR 13,000.(All private sector employers must provide health insurance for employees and their families. Costs vary based on factors like age, dependents, plan coverage, and employer size.)

### Third-Party Costs:

Item	Cost
External Auditor Fees ( Non- Govt)	Service Providers : 10k - 50k +SAR/Year Manufacturing : 10k - 75k +SAR/Year
Office Rent ( Non- Govt)	2k - 10k depending on location
Dependent Fees	400/month per dependent



## Topic 09:

# FREQUENTLY ASKED QUESTIONS

## GENERAL ENQUIRY

### Are foreigners able to own & start a business in Saudi Arabia?

Yes, foreigners can apply to set up a business in Saudi Arabia and have 100% ownership. Ministry of Investment of Saudi Arabia (MISA) will issue a business license to foreign investors.

### How much time does it take to set up a business in Saudi Arabia?

Setting up a foreign company or LLC branch typically takes three to six months.

### Do I need a local sponsor?

For certain business structures, particularly LLCs, having a local sponsor may be required. However, foreign investors can retain 100% ownership under specific licenses in certain sectors.

### How can I start a business in Saudi Arabia?

The first steps towards starting your business in Saudi Arabia involves an initial consultation to understand your needs. Next, we will complete a review of your business profile and put a plan into place to apply for your foreign entity with Ministry of Investment of Saudi Arabia (MISA). Once the company registration is completed you will receive the Commercial Registration (CR). Finally, we will complete the post company formation processes and plan the steps towards applying for the company bank account and the General Managers Iqama (Saudi residency visa).

### What is the cost for setting up a Saudi company?

The investment for establishing a Saudi entity will vary according to the license type, shareholding structure and business activities.



### **Can we do online business in Saudi Arabia?**

Yes, online businesses are allowed in Saudi Arabia. Thanks to the new reforms announced in the Kingdom's Vision 2030, now there are limitless opportunities for foreigners to operate and own companies in Saudi Arabia.

### **What is the role of the General Manager?**

A foreign company appoints General Manager to represent local company affairs, such as opening or operating a bank account.

### **What is a business visa for Saudi?**

A business visa for Saudi Arabia is a type of visa issued to foreign nationals intending to engage in business activities, attend meetings, or explore potential business opportunities in the country.

### **Do I need to have an office to start a business in Saudi?**

An office address of your company or firm is required for registering your business and official business communications.

### **Do I have to come to Saudi Arabia to finalize the process?**

Yes, the authorized signatory is physically required in order to open the bank account in Saudi Arabia. For other procedures the physical presence is not required.

### **Can foreigners incorporate a Saudi company in any industry?**

No. Foreigners are not permitted to invest in several industries in the "negative list" such as i) oil exploration and production ii) real estate iii) tourism iv) recruitment and employment services v) printing and publishing.

### **Are there financial incentives in Saudi Arabia?**

Depending on specific projects and activity sectors, there are financial incentives for tax and duty relief.

## What incentives does Saudi government provide for company set up?

The Saudi government has introduced an incentive to assist with company formation and attract foreign investors. When starting a Saudi company within the first year, the initial company registration and set up fees are reduced by two thirds which is appealing to new market entrants.

## Which business activities are restricted for foreigners?

When starting a business in Saudi Arabia, there are some business activity restrictions that apply to foreigners. Restricted business activities include consulting (non-applicable to certain management consulting activities) medical, military sector, recruitment, oil exploration, drilling and production, real estate investment in Makkah and Madina. The most common licenses we assist with registration in KSA fall under services, trading and industrial.

## What services does De Tempête provide when setting up a Saudi company?

De Tempête will complete the full company registration for your Saudi Arabia company to be operational in the quickest possible time. From issuance of the Commercial Registration (CR) from Ministry of Investment and Ministry of Commerce, obtaining Chamber of Commerce membership, opening files, and completing the registration with Ministry of Labor, General Organization for Social Insurance, General Authority for Zakat and Tax. Once your Saudi company set up is completed, we will assist with setting up your Saudi company bank account, obtaining your General Manager Iqama (Saudi residency visa) and employee Iqama so you can start doing business in Saudi Arabia.

## **RULES & REGULATORY**

### **Which Saudi ministries are responsible for setting up a business in Saudi Arabia?**

- The Ministry of Commerce and Industry (MCI)
- The Ministry of Investment Saudi Arabia (MISA)

### **What is MISA License?**

The Ministry of Investment is a government entity that licenses foreign companies to operate in Saudi Arabia without a local partner. The MISA License allows having 100% foreign ownership.

### **What are the benefits of obtaining the MISA License in Saudi Arabia?**

MISA License enables foreign investors to serve the local market legally and independently without a Saudi sponsor.

### **What is the difference between MISA License and MCI License?**

The Ministry of Investment Saudi Arabia (MISA) License allows foreign investors to get 100% ownership of their company in Saudi Arabia. The Ministry of Commerce and Industry (MCI) License is a business license specifically for Saudi and GCC nationals and special residency holders.

### **How long does it take to get the MISA license?**

The MISA certificate can be issued within 24 hours of application. The process of getting your license in Saudi Arabia has three steps:

- MISA Application: estimated time ranges from 5 – 10 days
- Articles of Association: estimated time ranges from 1 – 5 days
- Commercial Registration issuance: estimated time ranges from 5 – 10 days

Delivery is subjective to government timelines. We actively ensure to keep you abreast of the process.

### **Is a foreign capital investment required to set up a trading business branch in KSA?**

According to the Ministry of Investment (MISA), the minimum capital required to practice wholesale and retail trade activity for foreign companies .



### **How much minimum capital is required for an LLC company?**

Limited liability companies (LLC) require a minimum capital investment of around \$133,100 (SAR 500,000).

### **How many minimum and maximum shareholders does an LLC company have?**

Limited Liability Company (LLC) can have one shareholder and is limited to a cap of 50 shareholders.

### **What is Saudisation?**

Saudisation is a national localisation program in Saudi Arabia called the Nitaqat program. Foreign companies in Saudi Arabia are required to hire around 30% of Saudi nationals, and the percentage can vary as per the type of business.

### **What are the major legal considerations for setting up a business in Saudi Arabia?**

Saudi business laws must be understood and followed meticulously for the company to be able to flourish. This includes following the Kingdom's Sharia, the Islamic legal code, as well as labour laws, tax rules, and company registration requirements. The cultural and legal norms of Saudi Arabia, including observance of Islamic holidays and customs, must also be adhered to by foreign companies operating there.

### **What are the cultural considerations for doing business in Saudi Arabia?**

Respect Islamic values and cultural norms, especially regarding dress and gender interactions. Build relationships and trust before rushing into business deals. Understand and adapt to the decision-making process, which can be more time-consuming. Be mindful of working hours and closures during Ramadan and other holidays.

### **What are the ongoing compliance requirements?**

Businesses must comply with tax regulations, visa regulations for foreign employees, and annual renewal of licenses.

### **What ongoing compliance obligations should a company be aware of?**

Ongoing compliance includes annual financial filings, tax returns, adherence to corporate governance standards, and renewing licenses and permit.

### **What labor regulations should I be aware of?**

Employers must comply with Saudization requirements, which mandate hiring Saudi nationals in certain positions. Additionally, work visas are necessary for expatriate employees.

### **Are there industry-specific regulations I should consider?**

Yes, some industries may have specific regulations or permits that must be obtained before starting operations. Conduct thorough research relevant to your industry.

## VAT & TAX

### What is the corporate tax in Saudi Arabia?

Summary of Tax Rates in Saudi Arabia:

Type of Tax	Rate
Corporate Income Tax	20% (foreign entities)
Value Added Tax (VAT)	15%
Oil & Hydrocarbon Production	50% - 85%
Zakat	2.5%
Withholding Tax	5% - 20%

### Who Needs to Register for Corporate Tax?

All businesses operating in Saudi Arabia, including foreign entities earning income within the country, must register for corporate tax with ZATCA. Compliance with filing and record-keeping requirements is essential for maintaining good standing with the tax authorities.

### What are the Penalties for Non-Compliance for corporate tax in KSA?

Penalties for Non-Compliance in Saudi Arabia:

- Late Filing: Up to 25% of the tax owed
- Late Payment: A penalty of 5% of the unpaid tax amount for each month
- Failure to Register: Fines may apply, specific amounts may vary based on the circumstances

### What is VAT in Saudi Arabia?

VAT (Value Added Tax) is a consumption tax levied on the sale of goods and services in Saudi Arabia. The standard VAT rate is 15%, implemented to diversify the economy and increase government revenue.



## Who Needs to Register for VAT?

- **Mandatory Registration:** Businesses with an annual taxable turnover exceeding 375,000 SAR must register for VAT.
- **Voluntary Registration:** Businesses with taxable supplies below this threshold can opt for voluntary registration.
- **Non-Residents:** Non-resident entities making taxable supplies in Saudi Arabia are also required to register for VAT.

## What are Zero-Rated Supplies?

Certain goods and services are classified as zero-rated, meaning they are subject to a 0% VAT rate. Businesses making only zero-rated supplies may not need to register for VAT even if their turnover exceeds the threshold.

## What are the Penalties for Non-Compliance?

Failure to register for VAT when required can lead to penalties, including fines and back taxes owed. It's crucial to maintain accurate records and comply with all reporting requirements.

## How is VAT Calculated?

VAT is calculated on sales and purchases. Output VAT is collected from customers, while input VAT can be reclaimed on purchases. Net VAT is the difference between output and input VAT.

## What Documents Are Required for Filing?

When filing VAT returns, businesses need to maintain records of:

- Sales invoices
- Purchase invoices
- Bank statements
- Financial statements

## Can Businesses Claim Input Tax Credits?

Yes, registered businesses can claim input tax credits on purchases related to their taxable supplies, reducing their overall tax liabilities.

## How Often Should Businesses File VAT & Corporate Tax Returns?

Summary of Filing Requirements:

Type of Tax	Filing Frequency	Due Date
VAT (Turnover > SAR 40 million)	Monthly	1st to last day of the following month
VAT (Turnover ≤ SAR 40 million)	Quarterly	1st to last day of the month following each quarter
Corporate Tax	Annually	Within 120 days from financial year-end

It is essential for businesses to adhere to these filing requirements to avoid penalties and ensure compliance with ZATCA regulations.

## Are there any exemptions for VAT registration in KSA?

Exemption Type	Description
Exemption Type	Businesses exclusively making zero-rated supplies are exempt from registration requirements.
Exempt Supplies	Certain goods and services (e.g., basic food, education) are exempt from VAT altogether.
Non-Resident Entities	Must register for VAT regardless of turnover but may have specific exemptions based on activities.
Below Voluntary Threshold	Businesses with annual taxable supplies below 187,500 SAR cannot register for VAT.

## Where Can I Find More Information?

For detailed guidance and updates on VAT regulations in Saudi Arabia, visit the official ZATCA website or consult with a tax advisor familiar with local laws.

## SPECIAL ECONOMIC ZONE

### What are Special Economic Zones (SEZs)?

SEZs in Saudi Arabia are designated areas aimed at attracting foreign investment by offering various incentives, including tax breaks and streamlined regulations. They are part of the Kingdom's Vision 2030 initiative to diversify the economy away from oil dependency.

### What are the main benefits of setting up a business in an SEZ?

- **Reduced Corporate Tax Rate:** A corporate income tax rate of 5% for up to 20 years.
- **No Withholding Tax:** 0% withholding tax on profits repatriated to foreign countries.
- **Customs Duties Exemptions:** 0% customs duties on capital equipment and inputs.
- **Expat Levy Exemptions:** Exemptions for employees and their families.
- **100% Foreign Ownership:** Foreign investors can fully own their businesses without local partners.

### Are there any employment regulations specific to SEZs?

Yes, while there is a general requirement for Saudization (hiring Saudi nationals), SEZs offer more flexible regulations during the first five years to encourage foreign companies to hire international talent.

### How do SEZs contribute to local employment?

SEZs aim to create local job opportunities as part of the Saudi Nationalisation scheme (Nitaqat), which seeks to increase the employment rate of Saudi nationals in the private sector by enhancing skills development and reducing unemployment.

### What infrastructure is available in the SEZs?

SEZs are equipped with world-class infrastructure, including modern office spaces, advanced technology setups, and customizable environments tailored to various business needs.

### How does the Saudi government support businesses in SEZs?

The government provides substantial financial incentives through tax breaks and grants, along with support for innovation and technology transfer by collaborating with universities and research institutions.

## What is the long-term vision for SEZs in Saudi Arabia?

The establishment of SEZs aligns with Saudi Arabia's Vision 2030 goals to diversify its economy, attract foreign direct investment, and position itself as a global business hub.

## What is the corporate tax rate of KSA Special Economic Zone?

While the usual corporate tax rate is marked at 20%, the benefits of the SEZs for companies range from a reduced corporate tax rate of 5% for foreign-owned businesses in Saudi Arabia.

## What is the VAT rate for Special Economic Zone (SEZ)?

### ▣ Standard VAT Rate:

The general VAT rate in Saudi Arabia is 15%. This applies to most goods and services outside of the SEZs.

### ▣ VAT Exemptions in SEZs:

**0% VAT on Intra-SEZ Transactions:** Goods exchanged within an SEZ and between different SEZs are subject to a 0% VAT rate. This means that businesses can transfer goods without incurring VAT charges, promoting internal trade within the zones.

**Goods Imported into SEZs:** Items imported into SEZs from outside Saudi Arabia are treated as outside the VAT scope, effectively exempting them from VAT upon entry.



## How many SEZs are currently operational in Saudi Arabia?

Saudi Arabia has introduced five main SEZs:

SEZ Name	Sector
King Abdullah Economic City	<ul style="list-style-type: none"> <li>• Automobile supply chain and assembly</li> <li>• Consumer goods</li> <li>• ICT (Electronic light manufacturing)</li> <li>• Pharmaceuticals</li> <li>• Medtech and Logistics</li> </ul>
Jazan Special Economic Zone	<ul style="list-style-type: none"> <li>• Food processing</li> <li>• Metal conversion</li> <li>• Agriculture and logistics</li> </ul>
Ras Al Khair Special Economic Zone	<ul style="list-style-type: none"> <li>• Maritime industries</li> <li>• Shipbuilding, maintenance, mining</li> <li>• Heavy industries</li> </ul>
Cloud Computing Special Economic Zone	<ul style="list-style-type: none"> <li>• Cloud computing</li> <li>• Artificial Intelligence</li> <li>• IT sectors</li> </ul>
Special Integrated Logistics Zone	<ul style="list-style-type: none"> <li>• Consumer products</li> <li>• Computer parts</li> <li>• Pharmaceuticals</li> <li>• Nutritional and medical supplies</li> <li>• Aerospace spare parts</li> <li>• Luxury goods and precious metals</li> </ul>



## Topic 10:

# Why Choose Us

De Tempête is a trusted partner for businesses seeking to establish themselves in Saudi Arabia (KSA). We offer a comprehensive suite of services, including company formation, licensing, accounting, taxation, visa and PRO services, financial advisory, business consulting, internal audit, immigration assistance, market research, and office space solutions. This one-stop shop approach simplifies your business needs.

Our experienced team provides expert guidance and support throughout the entire setup process, ensuring compliance with local regulations and maximizing your chance of success. By choosing De Tempête, you benefit from our in-depth knowledge of the KSA market, efficient services, and personalized attention, making your Saudi Arabian business venture smooth and rewarding.



**Customised  
Solution**



**Experienced  
Consultants**



**Hassle Free  
Procedure**

## LET'S CONNECT WITH US!



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