

Know How - KSA

April 2021

1 Saudi Arabia: Penalties for Trademark Counterfeiting Announced

Saudi Arabia's Commerce Ministry has announced the penalties for trademark counterfeiting.

Offenders will be jailed for up to one year and/or fined up to one million Riyals.

The same penalties will be imposed on those who violate the Trademark Law.

This will include those who forge registered trademarks or exhibit, sell or possess products bearing a forged or counterfeit trademark.

2 Saudi Arabia: Financial Claims Platform Launched

Saudi Arabia's Finance Ministry has announced it has launched an online service to handle contractor and supplier claims.

The Etimad platform was established with the National Centre for Government Resource Systems.

It means contractors and suppliers from the private sector can submit financial claims directly to Government agencies.

It has been launched as part of Government efforts to encourage more private sector companies to get involved with major projects in the Kingdom.

3 Saudi Arabia: Personal Status Law Approved

Saudi Arabia's Shoura Council has approved a new Personal Status Law.

They also approved an Elderly Rights Law. It is aimed at to helping empower the elderly in an environment which protects their rights and respects their dignity.

The aim is also to raise awareness and social education to outline their rights and help integrate them into society.

Under the law, special places will be allocated to the elderly in public facilities and events.

Sending an elderly person to a shelter or old house without their consent will not be allowed.

It also states elderly people have the right to live with their families and they have to take care of their physical and emotional needs and preserve their dignity.

In addition, the Council approved exempting Government bodies who rent buildings constructed in investment projects subject to the contracts of the States Properties General Authority with investors on Government lands from the provisions of Article 7 of the State Property Renting Law.

4 Foreign Investment in Oil & Gas

A key goal under the KSA's Vision 2030 is to invite foreign investment in the KSA through making the investment environment more attractive, in order to increase economic growth and achieve sustainable and positive development.

Subsequent to the release of Vision 2030, authorities have moved to simplify the processes and requirements for issuing and amending foreign investment licenses. Furthermore, there has been a shift in paradigm towards opening up more sectors for foreign investment.

As one of the most powerful oil and gas markets in the world, the KSA oil and gas sector remains an attractive one for foreign investors.

This Practice Note will provide an overview and a brief roadmap on the main procedures for obtaining a foreign investment license in the oil and gas industry in Saudi Arabia.

Definitions

- **MIMR:** The Ministry of Industry and Mineral Resources.
- **MISA:** The Ministry of Investment.
- **MOC:** The Ministry of Commerce.
- **MOE:** The Ministry of Energy.
- **MODON:** The Saudi Authority for Industrial Cities and Technology Zones.
- **Negative list:** The list of activities excluded from foreign investment issued by the Ministry of Investment.
- **SASO:** The Saudi Standards, Metrology and Quality Organization.

Practical Guidance

In general, a foreign investor interested in practicing oil and gas related activities in KSA is required to:

- obtain a foreign investment license from the Ministry of Investment (MISA) to practice an activity in the oil and gas industry;
- obtain the licenses and/or approvals applicable to the specific activity that the investor wishes to perform from the regulating authority (usually, the relevant authorities in this industry are the MOE and the MIMR); and
- incorporate an entity for practicing the specific activity in KSA.

Obtaining a foreign investment license

The first step for any foreign investor interested in investing in the KSA is to obtain a foreign investment license from MISA.

MISA licenses are generally categorized in three main types: service licenses, industrial licenses and commercial licenses. In order to obtain a MISA license, the intended activity must not be in the negative list, which is a list of activities prohibited to foreign investors, issued and

reviewed periodically by the Council of Economic and Development Affairs. The current negative list includes oil exploration, drilling and production.

With exception to the above, there are many examples of oil and gas activities permitted by MISA in the three license categories, including:

Category	Permitted Oil & Gas Activities
Services	1- Renting and operational leasing of mining and oil field equipment 2- Drilling of oil fields 3- Drilling of natural gas fields 4- Services related to oil or natural gas extraction except surveying services 5- Long-distance oil and gas pipelines 6- Transport of crude oil, refined petroleum products or natural gas via pipelines 7- operation and maintenance of pumping stations and pipelines 8- Sea and coastal freight water transport of oil and gas.
Industrial	1- Production of kinds of liquid fuel (oil refinery products) 2- Production of kinds of gas fuel Includes (ethane, butane, propane... etc.) 3- Production of paraffin Wax and asphalt 4- Manufacture oil tankers
Commercial	1- Wholesale of liquid Fuels (Including crude petroleum, crude oil, diesel fuel, gasoline, fuel oil, heating oil, kerosene) 2- Wholesale of gaseous fuels 3- Wholesale of lubricating oils and greases, refined petroleum products

Applications to obtain MISA licenses are submitted online through the online MISA E-Services portal. If the applicant meets the requirements, conditions and rules to obtain such license, and pays the designated governmental fees, the license is usually issued digitally within 1-4 working days of the date of the submission of the full application.

Government tenders

In addition to the above, MISA provides an option for investors that wish to bid for government

projects in the oil and gas sector by submitting an online application through MISA's E-Services Portal requesting a "temporary certificate" to bid for government projects. If the government project is awarded to the entity, it must apply for service license or for a temporary license for the performance of government/semi-government contracts before performing the contract.

Obtaining regulatory licenses or approvals for activities

A foreign investor is restricted from performing any activities in KSA until the relevant activity licenses and/or approvals are obtained. The following section outlines some noteworthy examples of licenses and approvals in the oil and gas industry.

MIMR licenses

Any industrial activity in the oil and gas sector requires a license or prior approval from MIMR.

In general, this procedure is completed in two stages: the initial approval, and the final approval.

First: Initial industrial approval

This initial step enables the industrial investor to start the initial steps of establishing the industrial project. Applications are submitted online through the MIMR Industrial Licensing Department and this approval is valid for one year but is not a guarantee by MIMR that it will issue an industrial license. Rather, it is treated as a "no objection" by MIMR for completing the procedures related to approvals from the other relevant authorities, such as the issuance of a commercial registration certificate, leasing a land, or obtaining a loan to finance the industrial project.

The application has to include the type of factory to be established, the products that will be manufactured under the said project, and any other requested information. The applicable conditions and/or restrictions are as follows:

- compliance with provisions of the Common Industrial Regulatory Law of the GCC Countries;
- the licensee must submit the application immediately to MIMR to obtain the final industrial license before commencing production;

- compliance with the Saudi specification standards issued by the SASO to obtain the specifications of the products and to work accordingly;
- compliance with the provisions of the General Environmental Regulations and Rules for Implementation issued by the PME and obtain an environmental approval for industries that fall under the second and third category of the said regulations before the implementation of the project;
- obtaining a civil defence license, adhering to the standards and requirements of industrial safety as stated in the regulations of the General Directorate of Civil Defence and adhering to the instructions of the High Commission for Industrial Security at the Ministry of Interior in relation to the strategic, high-energy/vital factories that were issued by a decision of the Minister of Interior – Chairman of the Supreme Commission for Industrial Security;
- obtaining the approval of the competent municipality and adhering to the instructions issued in case the factory is located outside MODON;
- obtaining an allocation letter from MOE for industries that need petroleum products in their production processes;
- adhering to energy efficiency standards; and
- this license does not give its holder the right to raise funds, sell or dispose of money without obtaining the approval of MIMR.

Second: Final industrial license

The industrial license represents the final approval by MIMR to implement the oil or gas industrial project. MIMR issues the industrial license after completing the study of the industrial project application from a technical and economic perspective and ensuring that the conditions, required documents and information are satisfied. The license is valid for a period of three years, subject to renewal. The investor uses the same license for the duration of its validity period to start operation and production, provided that the conditions and standards are met, and the relevant procedures are followed.

The investor will need to submit all the required documents, including a copy of the municipal license for industrial establishments outside MODON or a contract for allocating the land within the cities that provide industrial lands such as MODON, Royal Commission for Jubail and Yanbu or Economic Cities Authorities at King Abdullah Economic City, and the necessary approvals depending on the nature of activity.

It is also worth noting the following general conditions and/or restrictions:

- compliance with provisions of the Common Industrial Regulatory Law of the GCC Countries and its implementing regulations;
- the licensee must periodically update the information of the industrial entity immediately after there is any update on the data registered with MIMR;
- commitment to conform products to approved specifications and standards adopted by the Saudi Standards, Metrology and Quality Organization;
- commitment to the provisions of the general environmental regulations to protect the environment from pollution;
- commitment to the regulations and instructions for safety, industrial security and public health;
- the accounts of the industrial project must be in accordance with the accounting principles and applicable legal rules - the investor must provide MIMR with the public budget approved by a legal accountant for each financial year;
- allow MIMR's employees to enter the industrial project, view records and documents, accounts and monitor the production process and other project activities;
- refrain from misusing any benefits granted to the project;
- provide MIMR with the required complete and correct data on the project; and
- an industrial project may not be established, expanded, developed, have its products altered or changed, merged with other industrial project, divided into more than one project, have its location changed, have the project disposed in part or in whole, mortgage it or lease it with any kind of assignment or

relinquishment unless after obtaining MIMR's approval.

MOE licenses

In addition to MIMR, there are many activities that require licenses from MOE, including the following activities:

- oil and gas drilling activities;
- commercial activities in petroleum products, including the use, sale, transport, storing, distributing, importing and exporting pursuant to Saudi Arabia Royal Decree No. M18/1439 on the Approval of the Law of Trade in Petroleum Products;
- gas supply including the activities of transferring, processing, splitting, assembling, locally distributing, selling or disposing the hydrocarbons in any other way pursuant to Saudi Arabia Royal Decree No. M553/1424 on the Gas Supply and Pricing Regulation; and
- energy efficiency licenses, which includes licenses issued by the Saudi Energy Efficiency Centre for: i) audit companies, ii) energy service companies and iii) industrial energy audit companies.

Therefore, before proceeding to incorporate the entity, make sure to check the applicable regulations to see if a license from MOE is required. The two most important regulations to check are the following:

- Saudi Arabia Royal Decree No. M18/1439 on the Approval of the Law of Trade in Petroleum Products; and
- Saudi Arabia Royal Decree No. M553/1424 on the Gas Supply and Pricing Regulation.

Currently, a license application from MOE can only be submitted physically to the MOE's Agency for Corporate Affairs in Riyadh, KSA, as the MOE E-Service portal is under construction for now. Energy efficiency license applications can be submitted to the Saudi Energy Efficiency Centre's website.

Incorporating the entity

The MOC is the authority that oversees the incorporation procedures of commercial entities, and issues the commercial registration certificate.

The most common legal forms utilized by foreign investors in the KSA are branches of foreign entities, limited liability companies and joint-stock companies.

5 Investment Licenses for Foreign Investors

A foreign investor who is willing to carry any business in Saudi Arabia needs to establish a Limited Liability Company there and draft its Shareholders Agreement in compliance with the relevant Saudi laws, which are the Saudi Foreign Investment Law (Saudi Arabia Royal Decree No. M1/1421) and Companies Law (Saudi Arabia Royal Decree No. M3/1437).

Practical Guidance

Before drafting the Shareholders Agreement (see Practice Note on Drafting a Shareholders' Agreement) and establishing the company, the foreign investor needs to obtain pre-approval of Saudi Arabian General Investment Authority (SAGIA) for exercising its business in Saudi Arabia. The pre-approval will be in a form of license applied for by the foreign investor to SAGIA. The license will be issued subject restrictions and requirements provided for by SAGIA. Generally, SAGIA requires provision of certain documents relating to the investor's identity, financial ability, technical ability etc. to run the business in Saudi Arabia.

According to the SAGIA, documents needed by the Foreign Investor in the process for obtaining SAGIA license for establishing the company will include the following:

- (a) Attested copy of commercial registration of the foreign investor.
- (b) Attested copy of the Memorandum & Articles of Association of the foreign investor.
- (c) Attested Board Resolution stating the intention of the

foreign investor to register the new company in Saudi Arabia.

Such resolution shall state:

- (i) name of the proposed manager of the new company,
- (ii) share capital of each shareholder in the new company,
- (iii) proposed name of the new company, and
- (iv) appointment of a law firm to undertake all necessary procedures for the registration of the new company.
- (d) Attested Power of Attorney to be made by the chairman of the foreign investor in order to enable the chosen law firm to undertake all the required measures for the establishment of the new company in Saudi Arabia under the Foreign Investment law.
- (e) Full Passport copy of all shareholders of the foreign investor and their photos (6x4).
- (f) Attested copy of the balance sheets of the foreign Investor for the last year.
- (g) Attested letter from the foreign investor's bank stating that the Foreign Investor has the financial capability to invest in Saudi Arabia. It is suggested that such a letter states that the foreign investor is currently holding a bank account with a balance equivalent to a minimum amount in Saudi Arabian Riyals.
- (h) Attested letter from the Tax Authority declaring that the foreign investor has had paid all taxes due.
- (i) Personal CV of the manager to be appointed for the new company.
- (j) Company profile of the foreign investor.

These documents are designed based on the presumption that the foreign investor is a corporate body (i.e., company).

The foreign investor may need to partner with a Saudi investor for business and legal reasons, in such a case the papers and document that needs to be provided by the Saudi investor shall be limited to the copy of his national identity/commercial registration and Power of Attorney similar to the one relating to the foreign investor.

6 Freezones King Abdullah economic City

(1) What law established this freezone?

King Abdullah Economic City (KAEC) is not strictly a freezone. In Saudi Arabia, economic cities are established and controlled by the Economic Cities Authority. The laws and regulations in these cities is different to the laws in freezones, therefore economic cities cannot be called freezones per say.

The Economic Cities Authority was established by Saudi Arabia Royal Decree No. A19/1431 to be the sole regulator for KAEC, under the authority of the Ministry of Investment (Mol; previously known as Saudi Arabian General Investment Authority (SAGIA)).

(2) What are the main internal regulations governing this freezone?

KAEC is technically not a 'freezone' in the strictest sense of the term. It is a special economic area developed by the private sector under the supervision of the Mol. The main investment, labour, tax, and land ownership regulations applicable in Saudi Arabia also apply in KAEC.

(3) Does this freezone have any reciprocal arrangements with other freezones?

As an economic city, KAEC does not have any reciprocal arrangements with other freezones.

(4) What are the key areas of UAE and Emirate legislation businesses operating in this freezone must still comply with? What are the most important examples of how this impacts operations?

Any investors, even Gulf Cooperation Council or foreign investors, will be subject to the investment rules in Saudi Arabia issued by the Ministry of Investment. It is important that the product specifications, product method and materials are approved under the laws of the Kingdom. If there are no such specifications, then the laws of the European Union, Japan or the United States of America will be relied on.

The Ministry of Investment is the umbrella of the Economic Cities Authority. The Minister of Investment, HE Eng. Khaled A. Al-Faleh is also the chairman of the Economic Cities Authority.

The Economic Cities Authority has issued the following regulations:

- Economic Cities Authority Statute
- Executive Regulations
- Ports Regulations
- Real Estate and Municipality Regulations
- Real Estate Sales in Economic Cities
- Real Estate Ownership Registration and Transfer in Economic Cities
- Off Plan Sales in Economic Cities

To obtain licence approval, all investors must adhere to the required laws and regulations of Saudi Arabia such as import /export regulations, customs duties, trade mark, copyright and patent laws, corporation and personal income taxes, real estate and labour laws.

(5) What are the key UAE and Emirate onshore agencies a business operating in this freezone would need to register or comply with?

The main developer of KAEC is Emaar Economic City Company, an affiliate company of Emaar Company - a large Emirates construction company. In addition, any investors, even Gulf Cooperation Council or foreign investors, will be subject to the investment rules in Saudi Arabia issued by the Ministry of Investment.

The Ministry of Investment is the umbrella of the Economic Cities Authority. The Minister of

Investment, HE Eng. Khaled A. Al-Faleh is also the chairman of the Economic Cities Authority.

At Ministry of Investment Business Centres, representation from the following agencies offers the following services:

- Ministry of Commerce
- The General Directorate of Passports
- Ministry of Environment, Water and Agriculture
- Ministry of Human Resources and Resource Development
- The General Authority of Zakat and Tax
- Ministry of Justice
- Ministry of Foreign Affairs
- Ministry of Municipal and Rural Affairs
- General Organisation for Social Insurance
- Chamber of Commerce

(6) How does a company set up in this freezone?

To formally apply, the Business Service Centre in KAEC must be approached and the relevant formation application documents (in Arabic) must be submitted. It should be noted any corporate entities with non-GCC shareholders (no matter how minimal the foreign ownership percentage may be) wanting to establish a presence in KAEC must meet the relevant requirements (as dictated by the nature of the activities the entity at issue undertakes) stipulated by the MoI. The MoI application process has proven much faster and smoother in the past year as MoI has removed various prior application requirements for foreign investors to obtain a foreign investment license.

(7) What features do companies set up in this freezone have?

The features of corporate entities which formally establish in KAEC depend on the legal form of the subject entity. Under the Companies' Regulations, the law recognises six different types of legal forms which an entity may take: general partnership, limited partnership, joint venture, joint stock company (JSC), Limited Liability Company (LLC), and holding company. The two most common forms by far are LLCs and JSCs.

LLCs:

LLC features include:

- Minimum of one (subject to statutory conditions) and maximum of 50 shareholders.
- No minimum capital requirement (subject to the MoI-imposed minimum capital requirements for certain categories of licenses).
- Shareholders are liable for the debts of the company only to the extent of their respective ownership percentage.
- An LLC may be managed by one or two managers, or alternatively by a board of managers.
- Sale of shares by shareholders to third parties are subject to a statutory pre-emption right.

JSCs:

JSC features include:

- Minimum of two shareholders, with government entities able to form a JSC with a single shareholder under certain circumstances.
- Minimum capital of SR 500,000.
- Shareholders possess pre-emption rights on any new shares issued by the company, but not statutory pre-emption rights on share sales to third parties.
- Shareholders are liable for the debts of the company only to the extent of their respective ownership percentage.
- A JSC must be managed by a Board of Directors composed of a minimum of 3 members and a maximum of 11 members.
- The Chairman of the Board of Directors may not hold any other executive position within the company.
- An audit committee, independent of the Board of Directors, must be established.

(8) What can companies set up in this freezone do?

Investment opportunities are available in the following key sectors:

- Energy - including crude oil refining, petrochemicals, fertilisers, power and water, mining and minerals
- Transport and logistics
- ICT
- Health
- Human capital.

(9) What can companies set up in this freezone not do?

There are a number of activities foreign investors are not permitted to undertake in the industrial and service sector e.g. recruitment agencies not licensed by the Ministry of Human Resources and Resource Development.

(10) What types of business are allowed to operate in this freezone?

Each company must choose the appropriate license for its business activity.

Examples of specific activities are:

- Service: restaurants and maintenance
- Industrial: manufacturing.
- Trading: imports and exports.
- Real Estate: land development.
- Agriculture: farms, orchards and livestock.

(11) What inheritance laws apply in this freezone?

Laws relating to marriage, divorce, children and inheritance are based on Shari'a Law as they are not codified.

(12) What taxation applies?

The relevant taxation laws and regulations for corporate entities and their shareholders applicable in the rest of Saudi Arabia also apply in KAEC.

(13) What accounting and auditing rules apply to businesses operating in this freezone?

There are no specific rules. Businesses would follow the normal rules in Saudi Arabia for accounting and auditing issued by the Ministry of Commerce and General Authority for Zakat and Tax (GAZT).

(14) Where do businesses operating in this freezone generally locate their bank accounts?

Corporate bank accounts for entities established in Saudi Arabia, including in KAEC, must be opened in any bank located within Saudi Arabia

and licensed by the Saudi Arabian Monetary Agency.

(15) Are there any specific rules governing when moveable property is removed from the freezone area or transferred into the freezone area from another jurisdiction?

Export/Import laws and customs duties apply. However despite this, it is worth noting KAEC may opt to have a specific 'bonded zone' where companies of a particular industry would concentrate their businesses. These zones may allow for exemption from import duties for any products utilised for manufacturing and any products manufactured in the zone and slated for export.

(16) Are any specific licenses required to operate as a specific type of company in this freezone?

It depends which sector a company is planning to operate in. It is also subject to the requirements of the KAEC Business Service Centre.

(17) Is there any specific ongoing regulation or monitoring of firms operating as particular types of company by this freezone authority?

This is not applicable in KAEC.

(18) How are disputes settled with companies in this freezone?

According to Saudi laws or any other laws the parties have agreed to.

(19) How are disputes between onshore companies and companies in this freezone settled?

According to Saudi laws or any other laws the parties have agreed to.

(20) What are the main rights and duties of an employer and employee working in this freezone?

There are no specific regulations or benefits for employees working in KAEC. Saudi Arabia Royal Decree No. M51/1426, The Saudi Labour Law, is

applicable on all employees working in Saudi Arabia.

Under Saudi Arabia Royal Decree No. M51/1426, The Saudi Labour Law, the main duties of an employer include:

- Refrain from using a worker without pay and not, without due judicial process, withhold any part of a worker's wages.
- Treat his workers with due respect and refrain from any action or utterances that could infringe upon their dignity and religion.
- Give workers the time required to exercise their rights as provided for by Saudi Arabia Royal Decree No. M51/1426, the
- Saudi Labour Law, without any deductions from their wages for such time.
- Forbid entry of any illegal substances into the place of work, and institute punishments for anyone found in possession of, or who consumes, such substances.
- Give the worker, upon his request and free of charge at the expiration of his work contract, a certificate of work experience stating the details of his employment.

An employer is responsible for providing a clean, safe and hygienic environment for his workers and other visitors to the workplace that is compliant with the Ministry's rules, measures and standards of occupational protection, health and safety.

Employers are responsible for treating and assuming all direct and indirect expenses for an employee's injury or occupational disease sustained in the workplace, providing one or more medical first aid cabinets in the workplace and a medical examination at least once a year for workers who are exposed to any occupational diseases.

Employers must employ at least 75% Saudi workers unless the Minister has temporarily reduced this percentage in the case of non-availability or inadequacy of technically or academically qualified workers.

Employers with 25+ workers must employ 4% disabled people The main duties of employees are:

- Perform work in accordance with trade practice and the employer's instructions that are reasonable.
- Care for the employer's machinery, tools, supplies and raw materials placed at his disposal or in his custody and return to the employer any unused materials.
- Abide by proper conduct and ethical norms during work.
- Extend all assistance and help without making it contingent on additional pay in cases of disasters or hazards in the workplace.
- Undergo, on the employer's request, a medical examinations prior to, or during, employment to ensure his health. Keep confidential the technical, trade and industrial knowledge that is proprietary to his work.

Employers can only impose the following disciplinary measures on their employees after issuing written notification of the allegation and conducting an impartial and thorough investigation which allows the employee to present his defence:

- A warning.
- Fines not exceeding five-days wage.
- Withholding allowance or postponing it for a period of no more than one year.
- Postponement of promotion for a period of no more than one year.
- Suspension from work and withholding of wages.
- Dismissal from work in cases stipulated by law.

Employers can terminate a worker's contract without an award, advance notice or indemnity if the employee:

- is profoundly and consistently negligent or deficient in the performance of his duties;
- has caused or intended to cause material, physical, or moral harm to the employer;
- is on probation.

Employers must pay compensation for terminating an employee's employment for reasons that are no fault of the employee, such as redundancy. The end-of-service award is calculated on the basis of the employee's last wage and consists of half a month's wage for

each of the first five years and one month's wage for each of the following years.

(21) How are employment disputes between employers and employees working in this freezone settled?

There are no specific regulations or benefits for employees working in KAEC. Saudi Arabia Royal Decree No. M51/1426, The Saudi Labour Law, is applicable to all employees working in Saudi Arabia.

The Labour Courts are responsible for the resolution of labour disputes in Saudi Arabia. Parties to a work contract can also incorporate a clause providing for the settlement of disputes through arbitration, or allows for arbitration after a dispute arises.

The Labour Courts has jurisdiction over final decisions: for labour disputes not exceeding SR10, 000; if there is an objection to a penalty imposed by the employer; and if the punishment(s) for violation(s) of Saudi Arabia Royal Decree No. M51/1426, The Saudi Labour Law, does not exceed 5,000 Riyals.

(22) What entry qualifications and permits are required for staff working in this freezone?

There are no specific regulations or benefits for employees working in KAEC. Saudi Arabia Royal Decree No. M51/1426, The Saudi Labour Law, is applicable to all employees working in Saudi Arabia.

The recruitment and employment of non-Saudi workers from abroad is only permitted with the approval of the Ministry of Human Resources and Social Development. Permits for foreign employees are issued under the following conditions:

- The worker has lawfully entered the country and is authorised to work.
- The worker possesses unique professional and academic qualifications the country needs but are unavailable or insufficient in the Kingdom.
- The worker has a contract with the employer.

Work contracts for non-Saudis should be for a specified period, otherwise the duration of the

work permit will be deemed the same as the duration of the contract. An employer cannot employ a worker in a profession other than the one specified in his work permit. The employer is responsible for all fees for the recruitment and retention of non-Saudi workers including the residence permit (Iqama), work permit, change of profession process, exit and re-entry visas, and return tickets to the worker's home country.

(23) How are staff working within this freezone registered with the authorities?

There are no specific regulations or benefits for employees working in KAEC. Saudi Arabia Royal Decree No. M51/1426, The Saudi Labour Law, is applicable to all employees working in Saudi Arabia.

Employers are required to provide the following information in writing to the relevant labour office:

- Name, type and headquarters of the firm, mailing address and any other contact information.
- Type of business for which it is licensed, number of the Commercial Register or the license, its date and issuing authority, together with a copy.
- Number of workers to be employed by the firm.
- Name of the firm's manager in-charge.
- Any other information the Ministry requires.

(24) What rules govern the remuneration and minimum benefits of staff working in this freezone?

There are no specific regulations or benefits for employees working in KAEC. Saudi Arabia Royal Decree No. M51/1426, The Saudi Labour Law, is applicable to all employees working in Saudi Arabia.

There is no minimum wage in the Kingdom of Saudi Arabia. A worker's wages and all other entitlements are paid in the Kingdom's official currency, the Saudi riyal (SR). No amount can be deducted from a worker's wages against private rights without his written consent, except in certain circumstances such as the repayment of employer loans or contribution programs, social insurance or other legal contributions, fines or penalties. Overtime wages are calculated at the

hourly wage plus 50% of the worker's basic wage. If the firm operates on the basis of weekly working hours, hours exceeding 48 are deemed to be overtime. All working hours performed during holidays and Eids are also deemed overtime hours.

(25) What rules govern the working time and leave of staff working in this freezone?

There are no specific regulations or benefits for employees working in KAEC. Saudi Arabia Royal Decree No. M51/1426, The Saudi Labour Law, is applicable to all employees working in Saudi Arabia.

Private businesses are generally open from 9:30 a.m. to around 2:00 p.m., and 17:00 p.m. until 21:00 p.m. A worker cannot work for more than 8 hours a day, or more than 48 hours a week, reduced to a maximum of 6 hours a day or 36 hours a week during Ramadan. Working hours can be extended or reduced for certain industries and jobs depending on the nature of the employment. Rest periods must be scheduled within working hours so that no worker works for more than 5 consecutive hours without a break of no less than 30 minutes for rest, prayer and meals. Friday is the weekly rest day for all workers. There are two public holidays every year: the Eid al-Fitr, which is over a week long, and Eid al-Adha, which is ten days.

A worker is entitled to prepaid annual leave of no less than 21 days, increased to no less than 30 days if the worker spends 5 consecutive years in the employer's service. All workers are entitled to full-pay leave on Eids and other religious or holiday occasions, as specified by Saudi Arabia Royal Decree No. M51/1426, The Saudi Labour Law. Annual leave can be postponed by mutual agreement between the employer and employee. A worker is entitled accrued wages for leave if his employment is terminated before using his leave.

(26) What are the main features of a property lease in this freezone?

100% foreign ownership of land is allowed in Saudi Arabia, including in KAEC, except for ownership of land/property in Mecca and Medina which is limited to Saudi nationals only and to non-Saudi entities who fall under certain exemptions.

(27) Is it possible to apply for a building permit in this freezone? How is this done and what steps are required?

Yes, it is possible subject to the requirements of the KAEC Business Service Centre.

(28) What environmental requirements must construction companies building in this freezone consider, e.g. form of building, landscaping or building height?

The requirements and rules set by the KAEC Business Service Centre.

(29) What are the key restrictions when leasing a property in this freezone?

Leasing of property in KAEC generally follows the same requirements as in the rest of Saudi Arabia, subject to approval from the relevant authority in KAEC.

(30) What are the rules governing the use of utilities in this freezone?

The regulations governing the use of utilities in KAEC will be subject to those stipulated by the relevant authority in KAEC.

(31) How do retail premises establish themselves in this freezone?

The features of corporate entities which formally establish in KAEC depend on the legal form of the subject entity. Under the Companies' Regulations, the law recognises six different types of legal forms which an entity may take: general partnership, limited partnership, joint venture, joint stock company (JSC), Limited Liability Company (LLC), and holding company. The two most common forms by far are LLCs and JSCs.

LLCs:

LLC features include:

- Minimum of one (subject to statutory conditions) and maximum of 50 shareholders.
- No minimum capital requirement (subject to the MoI-imposed minimum capital

requirements for certain categories of licenses).

- Shareholders are liable for the debts of the company only to the extent of their respective ownership percentage.
- An LLC may be managed by one or two managers, or alternatively by a board of managers.
- Sale of shares by shareholders to third parties are subject to a statutory pre-emption right.

JSCs:

JSC features include:

- Minimum of two shareholders, with government entities able to form a JSC with a single shareholder under certain circumstances.
- Minimum capital of SR 500,000.
- Shareholders possess pre-emption rights on any new shares issued by the company, but not statutory pre-emption rights on share sales to third parties.
- Shareholders are liable for the debts of the company only to the extent of their respective ownership percentage.
- A JSC must be managed by a Board of Directors composed of a minimum of 3 members and a maximum of 11 members.
- The Chairman of the Board of Directors may not hold any other executive position within the company.
- An audit committee, independent of the Board of Directors, must be established.

(32) Is it possible for hotels to operate in this freezone - how do they establish themselves?

Yes, hotels can be established and operate in KAEC according to the rules of the KAEC Business Service Centre.

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