

KSA INVESTMENT GUIDE 2025

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TME Legal

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About Us

TME Legal

TME Legal Consultants is a spin-off of a German-based international Law-, Tax- and BPO firm. Our Team consists of - among others – 40 professional Legal Consultants, Tax Advisors, and Accountants with a German background and education who are familiar with the legislative framework in the United Arab Emirates and the Kingdom of Saudi Arabia. TME Legal Consultants combines expertise in all Legal, Tax, and BPO matters with over 40 years of commitment to the region. Our routes are deeply connected to the area, so TME Legal Consultants, over the past years, established high-value relationships with authorities, banks, and other important institutions. Our Team has advised many SMEs and global players in the context of their market entry in the United Arab Emirates and the Kingdom of Saudi Arabia by assessing each client's concrete situation considering their home country jurisdiction.

Our aim is not only to advise and support our clients during their market entry but to enter and establish a reliable, trustworthy, and long-term relationship, as this has proven successful over decades.

TME Legal Consultants is a **ONE-STOP Solution Provider** offering a comprehensive solution to its clients. We are **ONE-FACE-TO-THE-CUSTOMER** for all its' needs. Our Team combines seven languages, e.g., German, English, Turkish, Italian, French, Arabic, and Hindi.

IMPORTANT!

The following information shall serve as a guideline for informative purposes only and shall not replace legal- or tax advice. Foreign investors seeking to enter the Saudi market should consider professional advisory. TME Legal Consultants does not assume liability for the information's correctness and/or completeness.

Our Services

TME Legal

TME Legal Consultants - WHAT WE DO!

- Company Establishments
- Commercial Companies Law
- Corporate Restructuring and Establishment of Tax harmonized holding Structures
- Tax Compliance and regular Tax Advisory in the UAE & KSA
- Tax Assessments and Health Checks
- Employment Law
- Litigation
- M&A Transactions
- Liquidation of Companies and Insolvency Law
- Cross Border Transactions (Legal- and Tax)
- Real Estate (buying, selling & management)

TME Services - WHAT WE ALSO DO!

- Accounting Services
- Payroll Services
- Audit Guiding Services
- Visa Services
- Company Renewal Services
- Compliance Services
- Company Secretarial Services
- Digital Marketing Services
- IT Services
- Cyber Security Services
- AML / CTF Services

KSA STATISTICS

- The Kingdom of Saudi Arabia was founded in 1932
- Capital: Riyadh
- Population: 36 million as of 2023
- Over 800 German companies have operations in the Kingdom
- Oil reserves: 40.9 billion tons (2020)
- GDP: approximately USD 833.5 billion (2021)
- almost USD 31,000 per capita
- In the first quarter of 2023, the country welcomed around 7.8 million international tourists
- Inflation rate: 2,47% (2022)

EMERGING MARKET

In recent past, the Kingdom of Saudi Arabia (KSA) has experienced remarkable growth, solidifying its position as a thriving economic hub in the Middle East. Driven by its Vision 2030, KSA aims at diversifying its economy and reducing oil dependency. Under Crown Prince Mohammed bin Salman's leadership, the plan focuses on sectors like tourism, technology, and renewable energy sectors to attract foreign investments and promote local entrepreneurship. The country's unique political system, an absolute monarchy with gradual liberalization, ensures stability and predictability for investors. German businesses find alignment with Saudi Arabia's economic goals and strategic location, providing opportunities to expand their reach in the Middle East. The young and tech-savvy population offers a burgeoning consumer market, making Saudi Arabia an attractive destination for German companies seeking growth and new markets.

DIRECT FOREIGN INVESTMENT

1. INVESTMENT CLIMATE IN KSA

The investment climate in Saudi Arabia (KSA) has witnessed significant improvements in recent years, making it a progressively attractive destination for both domestic and foreign investors. Several factors contribute to this favorable environment:

Geographical Location

Strategically positioned at the crossroads of Europe, Asia, and Africa, KSA serves as a gateway to the lucrative markets of the Middle East. Its proximity to major global trade routes and access to vital shipping lanes makes it a crucial trading hub, offering businesses unparalleled expansion and market penetration opportunities.

Infrastructure Development

KSA has made substantial investments in infrastructure and development. World-class seaports, airports, and modern transportation networks facilitate the powerful movement of goods and people, reducing logistics costs and enhancing overall business operations.

Commercial laws and reforms

The Saudi government has undertaken significant legal- and regulatory reforms to streamline the business environment. Initiatives such as introducing the companies' law and implementing new governmental institutions have simplified business registration processes, enhanced transparency, and reduced bureaucratic red tape, fostering a business-friendly ecosystem.

Vision 2030

The ambitious Vision 2030 plan catalyzes economic diversification to reduce the country's reliance on oil and attract foreign investments. It encourages public-private partnerships, promotes privatization, and emphasizes non-oil sectors like tourism, entertainment, technology, and renewable energy.

DIRECT FOREIGN INVESTMENT

Saudization and Employment Initiatives

While promoting foreign investment, the government also encourages local employment through Saudization policies. Saudization ensures that Saudi nationals are given priority in the job market, creating a balance between foreign expertise and domestic talent.

Digital transformation

KSA is actively embracing digitalization, evident in its e-government initiatives and the push towards a digital economy. The widespread endorsement of technology and the Internet has opened new channels for businesses and entrepreneurs, making the country more conducive to digital-based industries.

FDI incentives

the Saudi government offers various incentives and benefits to attract foreign direct investments (FDI). These include tax exemptions, access to economic cities and free zones, and favorable foreign ownership regulations, creating a competitive advantage for investors.

Stable Political Environment

Saudi Arabia's stable political system and strong leadership give investors confidence and assurance. The government's commitment to economic reforms in Vision 2030 demonstrates a long-term vision and dedication to improving the business climate.

DIRECT FOREIGN INVESTMENT

2. BUSINESS DEVELOPMENT AND FREE TRADE AGREEMENTS

Saudi Arabia actively pursued free trade agreements (FTA) with various countries and regional blocs to promote international trade and investment. It is noted that Saudi Arabia has signed FTAs with countries like Singapore and South Korea, reducing tariffs and trade barriers to enhance business opportunities.

The introduction of Vision 2030 has further accelerated business development in the country. The plan's emphasis on privatizing economic diversification and entrepreneurship has created a more constructive environment for domestic and foreign businesses.

Moreover, establishing special economic zones (SEZs) and economic cities such as King Abdullah Economic City and Jeddah Islamic Seaport offers unique advantages for investors, including tax incentives and simplified regulatory processes.

The FTA signed between Saudi Arabia and Germany, and the broader European Union has further facilitated the exchange and investment flows between the two nations. These FTAs also reduce tariffs and non-tariff barriers, creating a more favorable climate for German companies to access the Saudi market and vice versa.

Furthermore, Germany's economy benefits from increased trade with Saudi Arabia as the Kingdom's demand for machinery, equipment, and industrial goods - **MADE IN GERMANY** - provides a substantial export market for German products. This symbiotic relationship allows both countries to leverage each other's strengths and contribute to mutual economic growth and development.

DIRECT FOREIGN INVESTMENT

3. LEGAL FORMS OF DOING BUSINESS

In Saudi Arabia, businesses can be established in various legal forms, each offering different levels of liability, ownership, and tax implications. The main legal forms of doing business are as follows:

Limited Liability Company (LLC)

An LLC is the most common legal form in Saudi Arabia. Generally, it requires a minimum of two and a maximum of 50 shareholders. This structure provides limited liability protection to shareholders, meaning their personal assets are not at risk for business debts. Foreign ownership is allowed up to a certain percentage, depending on the nature of the business. Under the new Companies' Law, LLCs may be established with one shareholder only as a "Sole Owner Limited Liability Company." Under the new Foreign Direct Investment Law, foreign investors are allowed to own 100% of the shares in their company, depending on the company's objectives.

Joint Stock Company JSC

A JSC is suitable for large-scale businesses with a broad number of shareholders. It requires a minimum of five shareholders, and there's no limit. Shareholders' liability is limited to the amount of their shares. JSCs are often used for public companies listed on the Saudi Stock Exchange (Tadawul).

Branch of foreign company

Foreign companies can establish a branch in Saudi Arabia to conduct specific business activities. The branch is considered the parent company's "prolonged arm" and subject to the same liability. This option suits companies looking to be physically present in Saudi Arabia without forming a separate legal entity.

Sole Proprietorship

A sole proprietorship is an individual-owned business. It is the simplest and fastest way to start a business, but the owners are personally liable for all debts and obligations. This form is popular among small businesses and local entrepreneurs.

DIRECT FOREIGN INVESTMENT

4. LOCAL SHAREHOLDER OR TRADE AGENTS

When choosing the correct legal form to establish a business in Saudi Arabia, the necessity of a potential local shareholder or trade agent is crucial, particularly under the Saudi Arabian Investment Authority (MISA) licensing regime. The Specific Licenses stipulate requirements the entrepreneur must meet when establishing an LLC in KSA. They also constitute whether a local shareholder or trade agent is necessary.

Foreign companies looking to enter the Saudi market usually opt for the Limited Liability Company (LLC) structure, which - in certain cases - may require at least one local Saudi partner with a minimum ownership stake of 25%. This local shareholder is mandated by the government to ensure a degree of economic participation and to facilitate knowledge transfer to local businesses. However, the necessity of a local shareholder depends on the company's general objectives.

The involvement of a local shareholder or trade agent also offers practical benefits, such as providing insight into local business practices, customs, and cultural nuances. They can assist in building essential relationships with government entities, clients, and suppliers, which can be crucial for business success in the Saudi Arabian market.

While having a local shareholder or trade agent is a regulatory requirement for specific legal forms and industries, it is an opportunity. A local entity can enhance a foreign company's market access, reputation, and credibility within the Saudi business community.

DIRECT FOREIGN INVESTMENT

However, carefully choosing the local partner or trade agent is essential, as well as ensuring they share similar business values, have a strong track record, and possess the necessary industry knowledge. Entering a well-drafted transparent shareholders agreement or agency agreement is crucial to safeguard the interests of both parties and foster a successful and harmonious business relationship.

FREE TRADE ZONES

1. GENERAL

The Kingdom of Saudi Arabia has several free zones strategically located throughout the country. These zones are designated to facilitate trade, boost economic activity, and attract foreign direct investment. Some prominent free trade zones include King Abdullah Economic City (KAEC), Jeddah Islamic Seaport, and Dammam Port.

Free zones in KSA generally offer various business activities companies can enlist. However, the scope of activities may vary between free zones, and there may be restrictions on certain sectors or industries. Obtaining the necessary licenses and permits to achieve within the free zone. The license type required will depend on the scope of business activities the company intends to undertake. Each free zone may have rules, licensing procedures, and business requirements.

2. BENEFITS AND ADVANTAGES OF FREE ZONES FOR FOREIGN BUSINESSES

100% Foreign Ownership

One significant advantage is that foreign companies can hold 100% ownership of their businesses within the free zones. The ownership allows foreign investors complete control over their operations and decision-making processes.

Tax Incentives

Free zones may offer tax exemptions and concessions, including corporate income tax relief, customs duties exemptions, and no value-added Tax on goods and services within the zones.

FREE TRADE ZONES

Simplified Regulations

Free Zones have streamlined regulatory processes, making setting up and operating businesses easier and faster. This efficiency reduces bureaucratic hurdles and administrative complexities.

Infrastructure and Connectivity

These zones feature modern infrastructure, world-class facilities, and excellent connectivity through well-developed ports, airports, and transportation networks.

Access to markets

Free zones act as strategic gateways to regional- and global markets, benefiting from Saudi Arabia's geographical location at the turning points of Asia, Europe, and Africa.

Customized Legal Framework

Free zones offer a legal framework tailored to foreign businesses, providing legal protection and support in line with international standards.

LABOR & SOCIAL SECURITY LAW

1. LABOR LAW

The Saudi Arabian Labor Law applies to all employers, including those from foreign countries. Key aspects relevant to foreign employers are as follows:

Employment Contracts

Employers must provide written contracts in Arabic to all employees outlining terms and conditions of employment, including salary, working hours, and benefits.

Probation Period

A probation period of up to 180 days is allowed for new employees. During this period, termination can occur without notice or end-of-service benefits.

Working Hours

The standard working week is 48 hours, with a maximum of eight hours daily. Overtime is allowed, but should not exceed 2 hours per day.

Leave Entitlements

Employees are entitled to paid annual leave, sick leave, and public holidays. Maternity leave is also provided for female employees.

End-of-Service-Benefits

Upon termination, employees are entitled to end-of-service benefits based on their length of service and basic salary.

LABOR & SOCIAL SECURITY LAW

Termination

Employers can terminate employees for valid reasons with a written notice. Arbitrary termination may result in compensation.

Saudization

Employers must comply with Saudization policies, which aim to prioritize the employment of Saudi nationals.

Work Permits

Foreign employees require valid work permits to work in Saudi Arabia, obtained through sponsorship by their employer.

Health and Safety

Employers must maintain a safe working environment and adhere to health and safety regulations.

Discrimination and Harassment

Employers must establish a workplace free of discrimination and harassment based on gender, race, or religion.

LABOR & SOCIAL SECURITY LAW

The Iqama System

The Iqama system is a crucial aspect of employment for foreign workers in Saudi Arabia. Once a foreign employee obtains a work visa and enters the country, their employer typically sponsors the residence permit, commonly known as the Iqama. The Iqama serves as proof of legal residency and allows foreign workers to live and work in Saudi Arabia for a specific period, usually tied to the employment contract.

Sponsorship

The employer acts as the sponsor of the foreign employees' Iqama. The sponsorship means the employer is responsible for initiating and renewing the Iqama process on behalf of the employee.

Validity Period

The Iqama is typically issued for one year and needs to be renewed annually. The renewal process involves submitting the necessary documents with specific requirements.

Employment Termination

If an employee's contract is terminated or they may change employers, their Iqama must be transferred to the new employer or canceled. Failure to transfer or cancel the Iqama appropriately can have legal and immigration implications.

Iqama related Advantages

The Iqama provides various services to the holder, including the ability to open a bank account, obtain a driver's license, and access healthcare- and educational facilities.

LABOR & SOCIAL SECURITY LAW

Iqama for Dependents

Foreign employees with valid Iqamas can also sponsor their direct family members to live with them in Saudi Arabia. The sponsorship process involves meeting specific financial- and residential criteria.

Foreign employees in Saudi Arabia must ensure that their Iqama is always valid and current. Failure to comply with the requirements and related labor laws can result in fines, penalties, or even deportation.

2. ENSURING WELFARE AND SECURITY

SOCIAL INSURANCE

Saudi Arabia established a robust Social Security System administered by the General Organization for Social Insurance (GOSI) is an autonomous government that provides social protection and insurance services. This system encompasses Saudi nationals and expatriates, offering financial security and various benefits.

GOSI operates under a board of directors led by the Minister of Finance. It is pivotal in implementing social insurance laws and regulations, including the Social Insurance Law, Civil and Military Pension Laws, and Executive Regulations.

GOSI's core mission is to provide a safety net for contributors and their families, delivering benefits tailored to Saudi nationals and expatriates.

LABOR & SOCIAL SECURITY LAW

For Saudi Nationals

Medical Insurance Benefits

Comprehensive treatment for occupational hazards, including diagnostics, treatments, and medical supplies.

Daily Allowance Benefits

Temporary disability resulting from occupational injuries qualifies for daily allowances.

Total Permanent Disability Benefits

For those completely and permanently disabled due to an occupational hazard, a monthly compensation equivalent to 100% of their average wage is provided.

Unemployment Benefits

The "Saned" program offers financial support to Saudi nationals facing unemployment due to circumstances beyond their control, providing monthly compensation for up to 12 months.

Voluntary Contribution

Saudi nationals can opt for old-age retirement pensions, early retirement pensions, non-occupational disability pensions, or death pensions through voluntary contributions.

LABOR & SOCIAL SECURITY LAW

For Expatriates

Occupational Hazard Benefits

A lump sum compensation is provided for work-related injuries, varying based on the degree of disability or death.

Permanent Disability Benefits

Those with disabilities below 50 percent receive lump sum compensation, with specific calculations based on age and disability percentage.

Public Healthcare for Saudi Nationals

Saudi nationals enjoy the privilege of free public healthcare services the government provides. These services are accessible through an extensive network of healthcare facilities, including hospitals, clinics, and primary care centers. Saudi nationals can avail themselves of medical consultations, hospitalizations, surgeries, and medications at no cost.

Public Healthcare for Expatriates

While residing in Saudi Arabia, expatriates can also access public healthcare services, but they typically must enroll in a government-sponsored health insurance program. This program requires expatriates to pay a nominal fee for coverage, which grants them access to the same range of services as Saudi nationals.

TAX AND CUSTOMS SYSTEM

The tax system in Saudi Arabia is a unique blend of exemptions and obligations, reflecting the country's economic and cultural values. Unlike many Western Nations, Saudi Arabia does not impose personal income or wealth taxes such as inheritance or stamp duty. This absence of direct taxation on personal income is one of the key attractions for expatriates and residents alike.

For employees in Saudi Arabia with no additional sources of income, it is important to understand that they are typically exempt from paying personal income tax. This means that individuals can retain their earnings without the burden of income tax deductions. This unique feature has made Saudi Arabia an appealing destination for skilled professionals and businesses looking to establish a regional presence.

However, the tax landscape in Saudi Arabia is partially full of financial contributions. Saudi Arabia, deeply rooted in Islamic principles, requires its citizens and those in other Gulf Cooperation Council (GCC) countries to contribute a portion of their net worth to those in need. This form of charity is known as Zakat and plays a crucial role in the nation's social welfare system. The Zakat, Tax, and Customs Authority (ZATCA) oversees the collection of Zakat and other taxes in Saudi Arabia, with the fiscal year running from January 1 to December 31.

TAX AND CUSTOMS SYSTEM

1. TAX SYSTEM

Federal Taxes in Saudi Arabia

There are no regional- or local taxes in Saudi Arabia, so all taxes are federal. Businesses operating in the Kingdom, including corporations and self-employed individuals, are subject to taxation. The primary federal taxes in Saudi Arabia include:

Business Taxes

Corporate income tax: Businesses pay a standard rate of 20% on their net profits. Self-employed individuals are also subject to a standard rate of 20% on their business profits.

Value-Added Tax (VAT)

VAT is charged at a standard rate of 15% for VAT-registered businesses.

Withholding Taxes (WHT)

Non-residents must pay withholding Tax on certain services provided to customers in the Kingdom at rates ranging from 5% to 20% on income earned within Saudi Arabia.

Real Estate Transaction Tax (RETT)

Implemented in October 2020, RETT is a 5% tax levied on property transactions.

Social Security Contributions

Saudi employees contribute up to 10% of their salary to social security, with employers also contributing up to 12%.

TAX AND CUSTOMS SYSTEM

Zakat

Charged at a rate of 2.5% on the net worth of all Saudi nationals and businesses, Zakat is a charitable tax deeply rooted in the Islamic faith.

Taxes on Goods and Services

Saudi Arabia also imposes taxes on goods and services, primarily through Value-Added Tax (VAT) and excise tax.

2. VAT

Value Added Tax was introduced in Saudi Arabia in January 2018 at a rate of 5%, later increased to 15% in July 2020. While most goods and services are subject to VAT, certain exemptions and zero-rated products exist, such as financial products, medical equipment, and international transport services.

3. EXCISE VAT

Excise Tax, introduced in June 2017, applies to specific harmful products, including tobacco-related products, soft drinks, energy drinks, sweetened drinks, electronic devices used for smoking or vaping, and associated liquids.

Subject to Tax in Saudi Arabia

An individual's tax residency status determines tax obligations in Saudi Arabia. Residents, both Saudi and foreign nationals, must pay social security contributions and are subject to various business taxes, including VAT. Saudi and GCC nationals are also obligated to pay Zakat.

TAX AND CUSTOMS SYSTEM

Expatriates living in Saudi Arabia do not have to pay Zakat but can contribute voluntarily. Non-residents, such as consultants or foreign workers, are subject to withholding Tax based on the type of income or service provided.

Income Tax in Saudi Arabia / Permanent Establishment

While there is no personal income tax on employment earnings, individuals earning income from other sources may be subject to taxation if they have a permanent establishment (PE) in Saudi Arabia. Employers automatically deduct Social Security payments at the source, simplifying the process for employees.

A non-resident person is considered to have a PE in Saudi Arabia when they establish a permanent place of business activity, including activities conducted through an agent, either in full or in part.

The following circumstances may establish a PE:

Types of PE

- Construction sites, assembly facilities, and related supervisory activities.
- Installations or sites used for surveying natural resources, drilling equipment, vessels engaged in natural resource surveying, and related supervisory activities.
- A fixed location where a non-resident individual conducts business, for example, where an agent or any third party hires its employees.
- A branch of a non-resident company that holds a license to conduct business within Saudi Arabia.

TAX AND CUSTOMS SYSTEM

Dependent Agent

- Ability to negotiate on behalf of the non-resident.
- Authority to complete contracts on behalf of the non-resident.
- Maintaining a stock of non-resident-owned goods in Saudi Arabia to regularly meet client demands on behalf of the non-resident.

Filing Tax Returns in Saudi Arabia

Employees in Saudi Arabia generally do not need to file tax returns. However, those with income from other sources may need to file corporate or withhold tax returns if applicable. Tax returns are typically due within 120 days of the end of the tax year, which aligns with the end of April. Quarterly tax payments are also required at the end of March, June, September, and December.

4. IMPORT AND EXPORT TAXES

Imported goods in Saudi Arabia are subject to customs duty, with rates ranging from 0.5% to 25%, depending on the product. Some machinery and raw materials for approved projects may be exempt from customs duty if unavailable in the local market.

TAX AND CUSTOMS SYSTEM

For other products, the import duty is 12% ad valorem on the CIF (cost, insurance, and freight) value.

Tax Rebates and Reliefs

Saudi Arabia offers tax credits for investments in less-developed regions of the country. These regions, including Ha'il, Jazan, Najran, Al-Baha, Al-Jouf, and the northern territories, provide tax benefits for up to 10 years. Additional tax deductions are available for more significant investments and the employment of Saudi nationals in technical- or administrative roles.

Tax Compliance and Penalties

Tax evasion or providing false information to tax authorities can result in severe financial penalties. Fines may include up to three times the VAT amount for submitting false documents and fines of 5% to 25% of the Tax owed for failing to submit tax returns. Failure to maintain tax-related records can also lead to fines of up to SAR 50,000.

5. IMPORTATION AND CUSTOMS PROCEDURES

Saudi Arabia has a customs regime and procedures for importing goods. These regulations are based on various decrees, orders, and international agreements.

Duty-Free Items: Most standard consumer goods are duty-free in Saudi Arabia. This includes items like corn, barley, cardamom, unroasted coffee, tea, rice, sugar, meat, and livestock (frozen or fresh).

Customs Duties: Customs duties of 20% are imposed on some imported commodities to protect national infant industries. For other products, the import duty is 12% ad valorem on the CIF (cost, insurance, and freight) value.

TAX AND CUSTOMS SYSTEM

Special Calculations: Some products may have customs duties calculated based on metric weight or capacity rather than ad valorem. However, the rates for these products are generally low.

Arab League Concessions: Members of the Arab League who have signed agreements related to trade and transit with Saudi Arabia are granted special concessions.

Harmonized Coding System: Saudi Arabia has adopted the Harmonized System (HS) for tariff classification. This system aligns with international standards for classifying and describing goods.

Trade Agreements: Saudi Arabia has bilateral trade agreements, especially with members of the Gulf Cooperation Council (GCC). These agreements may provide exemptions or reductions in customs duties.

Required Documents: Importers must provide specific documents before importing goods, including a commercial business invoice, bill of lading or airway bill, certificate of origin (if necessary), a certificate from the shipping company, insurance documents (if applicable), and a packing list.

Product-Specific Requirements: Additional requirements may apply depending on the nature of the imported items. This includes obtaining certificates or registrations for certain goods.

Clearing Procedures: Importers must complete customs clearing procedures through the Fasah platform at least 48 hours before the arrival of the shipment at the port of entry. This can be done directly or through a customs broker.

Special Calculations: Some products may have customs duties calculated based on metric weight or capacity rather than ad valorem. However, the rates for these products are generally low.

TAX AND CUSTOMS SYSTEM

Customs Valuation: Saudi Arabia adheres to the WTO Customs Valuation Agreement, which provides methods for determining customs valuation. Imports are also subject to customs surcharges, port fees, cargo service fees, and an import inspection tax.

Quality Standards: The Saudi Standards, Metrology, and Quality Organization (SASO) regulates the quality of imported goods. A conformity certificate is required to ensure compliance with Saudi standards. Importers can use the Saleem product safety program to register products with the required documents.

Import Tariffs on Food/Agricultural Products: Import duties on food and agricultural products vary, with a maximum import tariff rate of 40% ad-valorem applied when local production exceeds self-sufficiency. Some products like rice, baby milk, and animal feed are subsidized, while others like coffee, tea, and fresh red meat enter the country duty-free.

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