



# SAUDI ARABIA

Saudi Arabia - Islamic law (Sharia)

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## Incorporating a company in Saudi Arabia

# Saudi Arabia taxes

If you want to incorporate in Saudi Arabia, this article will educate you on the tax laws for a LLC which is the most common company type in Saudi Arabia.

There are two corporate tax regimes in Saudi Arabia. Corporate Income Tax is levied on the Non-Saudi/GCC resident entities, or its portion of income attributable to Non-Saudi/GCC-owned shares, and Zakat, which is levied on the higher of the net worth or net adjusted profits of a Saudi/GCC resident entity, or its portion of Saudi/GCC-owned shares. Saudi Arabia only taxes income arising within the country. Therefore, offshore income, from our research, but seek professional advice, is not taxable. Zakat standard rate is 2.5%. Corporate Income Tax standard rate is 20%. This ranks Saudi Arabia as 70th when compared to CIT globally. Income from activities such as exploitation of natural gas and production of oil and hydrocarbons are subject to a progressive tax rate 30%-85% and 85%, respectively.

There is no value-added tax in Saudi Arabia, that ranks the country as 1st when compared to VAT taxation rate internationally. However, Saudi Arabia has announced the introduction of VAT at a rate of 5% by January 2018. In terms of other taxation, an employer may contribute 11% to the equivalent of a social security fund and an employee may contribute 11%. The overall complexity of the tax system is low. This is measured by average time to comply with a country's labor tax requirements is as it is 34hours. Contributing to this is the number of yearly labor tax payments, which is 12 in SA.

Thin cap standards aren't in play. This refers to any sort of requirements on companies' debt-to-asset ratios. Dividends received from a Saudi resident subsidiary are considered business ordinary income and subject to Corporate Income Tax. An exemption may apply if there is a minimum holding of 10% held for at least 1 year and the subsidiary was subject to CIT. There may be similar rules for groups subject to Zakat. Dividends are payments of a company earnings, established by the board of directors, to a class of its shareholders. Dividends can be issued as stock, cash, or property. Capital Gains are subject to Corporate Income Tax or Zakat, being exempted those from the disposal of shares of a Company traded in Saudi Stock Exchange, subject to certain conditions. A capital gains tax is levied on the profits that a corporation or natural person realizes when they sell a capital asset for a price that is higher than the purchase price.

The interest withholding tax rate is estimated at 5%. This means that the relevant tax authorities expects companies to automatically withhold 5% of interests paid to non-residents. The dividends withholding tax rate is 5%. This means that the relevant tax authorities expects legal entities to pay tax on 5% of dividends remitted abroad. Royalties are subject to a withholding tax of 15%. This should be interpreted that a company should withhold 15% of its payments on royalties to non-residents. Withholding tax rates may be reduced or eliminated under a tax treaty.

There is no tax on net wealth on individuals in Saudi Arabia. There are no known inheritance and transfer taxes in Saudi Arabia. Some undeveloped lands within urban areas may be subject to a real property tax. There are tax incentives and exemptions for investments in six undeveloped provinces in Saudi Arabia.

The above is not tax or legal advice for your particular situation. We are able to help you find to a lawyer in Saudi Arabia who can answer all your questions. Contact us today. Click the free consultation button above.

The vat rate in Saudi Arabia is 0% which ranks 1 in the world.

- ✗ Patent box
- ✗ RND credit
- ✗ Wealth tax
- ✓ Estate tax
- ✗ Transfer taxes

- 34 Tax treaties
- 0% Offshore Tax
- 20% Corp rate
- Loss carryback years

# Saudi Arabia Legalese

The underlying legal code in Saudi Arabia is Islamic law (sharia) law. You will want to get some local advice as to how to best structure a company in Saudi Arabia. Electronic signatures are permitted.

The abbreviation SA is for Saudi Arabia and the most common company structure in Saudi Arabia is a LLC.

The amount you'll have to wait is about 1 month to put together the paperwork and file a LLC in SA. is 0, This means you don't have any minimum share capital. The types of consideration you can use to capitalize your company is most commonly SAR and any legal currency.

Yes, one is allowed to re-domicile a LLC from SA. You are usually allowed to change the jurisdiction of the company, pending certain procedures.

There must be at least This means it is not possible for you to own a LLC in Saudi Arabia as a sole shareholder. You must have other shareholders, they can be nominees or de facto shareholders. Corporate Shareholders are encouraged, which means you can have a corporate shareholder. Foreign ownership is encouraged, up to 100% of the total shareholding.

A company is only required to have one director. Moreover, corporate directors are not permitted. Directors should not have an expectation of privacy, as they are not kept private in Saudi Arabia. There is a requirement to have annual meetings of shareholders.

A registered office is a requirement, whom the company will pay yearly, for an office which can receive any lawsuit papers on behalf of the registered legal entity. A related requirement, a corporate secretary is required by law.

There is an obligation to file yearly tax returns. However, there is oftentimes a requirement to have these accounts audited.

Overall we think Saudi Arabia is a ok option and have given it a score of 45 as an IO score, using the Incorporations.IO proprietary formula.

- ✗ **Directors not disclosed in a public registry**
- ✗ **Shareholders not disclosed in a public registry**
- ✓ **Redomiciliation permitted**
- ✓ **Registered office required**
- ✗ **Corporate director permitted**
- ✓ **Local Secretary not required**
- ✗ **Local Director not required**
- ✓ **Electronic signature**

- 2 Shareholders required**
- 1 Directors required**
- 1 month to form**



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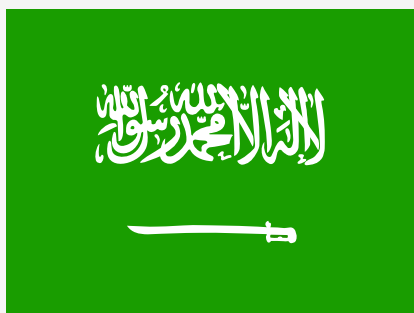
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## Country Info



🚩 National Flag of

المملكة العربية السعودية  
(ara)

\$ Currency

**SAR**

☎ Area Code

**+966**

🏰 Capital

**Riyadh**

📍 Region

**Western Asia**

🗣 Native Languages

**Arabic**