The Saudi Arabian General Investment Authority Board Resolution No. (2/74) dated 12/05/1435 H

The Board of Directors of the Saudi Arabian General Investment Authority (SAGIA),

Based on the powers vested in to it under the Saudi Arabian General Investment Authority Statute issued by Council of Ministers Resolution No. (2) dated 05.01.1421H, and

Following perusal of the Foreign Investment Act enacted by Royal Decree No. (M/1) dated 15.1.1421H, and

Following perusal of the Implementing Regulations of the Foreign Investment Act issued by the Board of Directors' Resolution No (1/20) dated 13.04.1423H, and

Following perusal of the Regulations for the Investigation and Imposition of Penalties for Violations of the Foreign Investment Act issued by the Board of Directors Resolution No. (6/69) dated 14.11.1433H, and

Following perusal of the proposal submitted by the Authority Management to the Board of Directors in its sixty ninth (69th) meeting, dated 14.11.1433H including a request to amend the Investigation and Imposition of Penalties for Violations of the Foreign Investment Act issued by the Board of Directors Resolution No. (3/37) dated 19.04.1425H,

Has decided as follows:

First: The Investigation and Imposition of Penalties for Violations of the Foreign Investment Act issued by the Board of Directors Resolution No. (6/69) dated 14.11.1433H shall be canceled,

Second: The amendments to the Implementing Regulations of the Foreign Investment Act issued by the Board of Directors' Resolution No (1/20) dated 13.04.1423H shall be approved,

Third: This Resolution shall be published in the Official Gazette and shall become effective as of the date of its publication.

Abdullatif bin Ahmed Al-Othman
The Governor and Chairman of the Board of Directors

Implementing Regulations of the Foreign Investment Law

Article 1:

For the purpose of implementing these Regulations, the following terms and expressions shall have the meanings assigned to them, unless the context requires otherwise:

The Council	The Supreme Economic Council.
The Board of Directors	The board of directors of the Saudi Arabian General Investment Authority.
Chairman of Board of Directors	The chairman of the Board of Directors.
The Governor	The Governor of the Saudi Arabian General Investment Authority.
SAGIA	The Saudi Arabian General Investment Authority.
Licence	An approval issued by SAGIA to practice a certain activity within the ambit of its mandate on a permanent or a temporary basis.
Licence Applicant	1. A corporate person who is not a Saudi national who enters the Kingdom for investment purposes. 2. A natural person or a corporate person who is a Saudi Arabian national and is a partner with the corporate person mentioned in paragraph (1) above.
Foreign Investor	A natural person who is not a Saudi national or a corporate entity whose partners are not all Saudi.
Foreign Investment	Investment of foreign capital in an activity licensed under the Act and these Regulations
Foreign Capital	Foreign capital shall mean, for example, but shall not be limited to, the following assets and rights which are owned by a Foreign Investor: 1. Cash, securities and commercial papers. 2. Foreign investment profits, if invested to increase capital, expand existing projects, or establish new ones. 3. Machinery, equipment, furnishings, spare-parts, means of transport, production

requirements and property related to the investment.

4. Intangible rights, such as licences, intellectual property rights, technical know-how, administrative skills and production techniques.

The Act	The Foreign Investment Act.
Commodity Firms	Enterprises that produce industrial, agricultural, (plant and animal) commodities.
Service Firms	Service and contracting enterprises.
The Regulations	The Implementing Regulations of the Foreign Investment Act
SAGIA Inspectors	Individuals assigned in writing by the Governor or his designee to follow up implementation of the provisions of the Act and its Regulations by SAGIA staff or other persons.
The Center	The One-Stop Shop referred to in Article (9) of the SAGIA Statute.

Article (2):

Without prejudice to the list of activities excluded from Foreign Investment (Negative List), SAGIA shall issue a Licence for Foreign Investment in any investment activity in the Kingdom, whether permanent or temporary, in accordance with the Act, Regulations and decisions of the Board of Directors. The decision of an application for a Licence shall be issued and signed by the Governor or his designee within 30 working days of the submission of all the documents required by the Regulations and the fulfilling the conditions and criteria to obtain a Licence.

Article (3):

The Board of Directors shall periodically review the list of activities excluded from Foreign Investment (Negative List) and submit its recommendations to the Council for endorsement.

Article (4):

Foreign Investments licensed under the provisions of the Act and the Regulations may be in either of the two following forms:

1. Firms owned by both a Saudi national and a Foreign Investor.
2. Firms wholly owned by a Foreign Investor.

The legal form of the firm shall be limited to the following: limited liability company, joint-stock company, a branch of a foreign company or any other legal form permitted by a resolution of the Board of Directors.

Article (5):

A licensed project under the Act and the Regulations shall enjoy all the benefits, incentives and guarantees extended to national projects, according to laws and directives and their amendments, including, for example, the following:

1. The incentives stipulated in the GCC Common Industrial Law, issued by Royal Decree No. M/20 dated 04.04.1427 H.
2. Ownership of real estate required to carry out the investor's licensed activity within the prescribed limits, including real estate needed by the Foreign Investor and the Foreign Investor's staff subject to SAGIA's prior approval and according to the provisions of the Regulations of Ownership and Investment in Real Estate by Non–Saudis issued by Royal Decree No. M/15 dated 17.04.1421 H.
3. The benefits ensuing from the avoidance of double taxation agreements and agreements on the promotion and reciprocal protection of investments which are signed by the Kingdom.
4. Prohibition of any full or partial confiscation of investment without a court order or subjecting them to expropriation wholly or partly except for the public interest and for fair compensation.
5. Foreign Investors are entitled to repatriate their share that is derived from the sale of their equity, from surplus of liquidation or the profits achieved by the project, or to dispose thereof. They are also entitled to transfer required amounts to fulfill any contractual obligations in respect of the project.
6. Shares can be freely exchanged amongst partners and others subject to the SAGIA's prior approval.
7. The licensed entity is entitled to sponsor the Foreign Investor and its non–Saudi staff.
8. The licensed entity is entitled to obtain industrial loans in accordance with the regulations of The Saudi Industrial Development Fund.
9. The net operational losses incurred by the licensed entity may be carried forward to the following year in accordance with the provisions of the Income Tax Law enacted by Royal Decree No. (M/1) dated 15.01.1425 H and its Implementing Regulations.
10. Enjoying all tax incentives stipulated in the Council of Ministers Resolution No. (359) dated 26.11.1429 H.

Article (6):

The conditions for granting a License include:

1. The investment activity to be licensed should not be in the Negative List of excluded activities from Foreign Investment.
2. The product technical specifications and production processes should comply with the Saudi, Gulf or international standards and specifications.
3. The Licence Applicant should not have been convicted in the past for substantial violations of the provisions of the Act.
4. The Licence Applicant should not have been convicted in the past of any violation including (but not limited to) financial or commercial violations whether inside or outside the Kingdom.
5. The Licence Applicant should comply with the terms, conditions, representations and undertakings attached to the Licence application form.
6. Achieving the investment goals and the objectives of SAGIA.

These terms and conditions shall apply to Licence renewal applications.

Article (7):

The Licence Applicant or his legal representative should electronically complete the Licence application form on SAGIA's official website, and submit the following documents in Arabic or translated into Arabic through a certified translation office operating in the Kingdom:

1. Provide a certified true copy of the applicant's commercial registration and articles of association, both documents must be authenticated by an official authority and the Saudi Embassy located in the Licence Applicant's country of origin.
2. A copy of the trade name reservation from the Ministry of Commerce & Industry.
3. A draft of the memorandum of association for a limited liability company.
4. A draft of the memorandum of association and articles of association for a joint-stock company.
5. Partners' resolution to invest in the Kingdom including partners names, capital, shareholdings, registered office, nature of the company's activity, appointment of the general manager and identification of his powers and authorities. The partner's resolution must be authenticated by an official authority and the Saudi Embassy located in the Licence Applicant's country of origin.
6. A copy of the general manager's passport.
7. A copy of the national identification card and family card if one of the partners is a Saudi national, as well as a copy of the commercial registration or a transcript from the Civil Status Bureau for profession confirmation.

8. Submission of initial approval from the relevant ministries or authorities in the Kingdom, if the activity requires a relevant authority approval.
9. Submission of a detailed business plan accurately reflecting the ability of the project to achieve the investment's objectives, including the project's expected contribution to increasing the Kingdom's income, number of jobs to be generated by the project for citizens, the expected method(s) the project will promote competition, improve services and diversify choice for consumers, the strategic dimensions of the project with respect to investment in the Kingdom, and the benefits to be realized by the city (and its adjacent areas) which shall serve as the headquarters of the project, employment and training plan including an estimation of the number of employees and percentage of Saudi employees for each department and administrative level, training and qualifying programs for the project staff, number of branches to be opened, and an estimation of the activity commencement costs and the required funding.
10. Submission of financial statements for the Licence Applicant's entity from outside the Kingdom for a period of not less than three (3) years stating the status of the entity financial position, approved by a certified accountant that is duly licensed to practice in the country attested by pertinent authorities and tax department in the home country of the applicant as well as by the Saudi Embassy.
11. To furnish proof of financial capability that is in line with the listed capital of the project and proof that the share of each partner is consistent with the submitted business plan of the project.
12. Any other documents, data or information required by SAGIA.

Article (8):

A Foreign Investor may obtain more than one License to practice the same activity or other different activities subject to the following conditions:

1. The conditions set forth under Article (6) of these Regulations must be satisfied.
2. Completion of documents set forth under Article (7) of these Regulations.
3. Licensing applications to practice the same activity shall be dealt with as an expansion of an existing project.
4. Submission of a report from the competent department at SAGIA stating that there are no violations or observations on the existing project.

The Board of Directors may reconsider these conditions periodically or when deemed necessary.

Article (9):

SAGIA shall electronically notify a Licence Applicant or its legal representatives of receipt of its application including the date and file number of the application. A Licence

shall be granted only when SAGIA receives the original copy of the required documents when deemed necessary by SAGIA.

Article (10):

SAGIA shall notify a Licence Applicant or its representative of the final decision issued in respect of its application by hand delivery or registered mail to the registered mailing address, or electronically to the e-mail address provided in the Licence application form or any other means of confirmed notification.

Article (11):

If SAGIA rejects, modifies or renews the Licence application, its decision shall be justified. A Licensed Applicant may appeal the decision before the Board of Directors within sixty (60) days from the date of notification of SAGIA's decision.

Article (12):

The Board of Directors shall consider the appeal and reach a decision within thirty (30) days from the date of its submission. The Board of Directors' decision shall be signed by the Governor or his designee. If a decision is made for the rejection of the appeal, the concerned applicant shall have the right to challenge the rejection decision before the Board of Grievances in accordance with its regulations within sixty (60) days from the date of the notification of the Board of Directors' decision.

Article (13):

Subject to obtaining SAGIA's prior approval, a Foreign Investor may purchase local, foreign or joint investment entities or own shares thereof subject to the terms, conditions and documents set forth in these Regulations.

Article (14):

SAGIA shall prepare an investment guide containing a description of the procedures for obtaining both permanent and temporary Licences and amendments thereto, including the forms, required documents for obtaining a License and important information needed by a Foreign Investor. The guide shall also contain details of the incentives, benefits and guarantees available to a Foreign Investor. The guide must contain the following as a minimum requirement:

1. The Foreign Investment Act and its Implementing Regulations.
2. The Statute of SAGIA and its Implementing Regulations.
3. The Regulations of Ownership and Investment in Real Estate by Non-Saudis.
4. The GCC Common Industrial Law.
5. Labor Law and Social Insurance Law.
6. Zakat, Tax and Customs Regulations.

7. The Law of Procedure before Shariah Courts.
8. The Law of Criminal Procedure.
9. The Code of Law Practice
10. Companies Law
11. Commercial Register Law
12. Anti-Commercial Fraud Law
13. Banking Control Law
14. Trade Marks Act
15. Copyrights Protection Act
16. Patents Act
17. Residence Act
18. Rules for dealing with Expatriates Violating the Regulations.

The guide shall also contain a special section on the customs and traditions observed in the Kingdom and shall be updated regularly.

Article (15):

A Licenced Applicant who has a Licence shall:

1. Start the practical procedures and steps required to perform the activity in accordance with the time schedule submitted by a Licenced Applicant to SAGIA.
2. Notify SAGIA in writing within thirty (30) days of the expected date for activity commencement of the reasons that prevented the commencement of implementation procedures to perform the activity. SAGIA may, should such reasons be accepted, extend the period specified in the schedule for another period(s) provided that the extensions shall not exceed one year in total.

Article (16):

The Board of Directors may revoke a Licence if SAGIA does not approve the extension request specified in the time schedule or if the Foreign Investor is found not to be diligent after the extension, and the Foreign Investor whose Licence is revoked shall bear the consequences of revocation.

Article (17):

A Foreign Investor licensed by SAGIA shall be committed to the following:

1. Abide by the basic conditions and objectives whereby the Licence is issued and which shall not be modified by a Foreign Investor in any manner without the prior approval of SAGIA and complete the required procedures.
2. Obtaining SAGIA's prior approval if the Foreign Investor voluntarily elects to cancel the Licence.

3. Apply an approved accounting system for the licensed entity including a record of all direct contracts or sub-contracts, purchases, sales, income and expenses.
4. Provide a detailed balance sheet audited by a chartered accounting office and certified by the Saudi Organization for Certified Public Accountants.
5. Deposit and transfer its employees' salaries on a monthly basis through one of the banks operating in the Kingdom, and provide a copy of bank transfer record to SAGIA upon request.
6. Provide SAGIA with all information, statistics, data, records, transfers, financial Payroll sheets and the like, upon request.
7. Provide SAGIA or any of its appointed public accountants access to investment entity's accounting system, balance sheets and all the information, statistics, data, records, financial payroll sheets provided by the entity to SAGIA.
8. Provide a registered address for its public or private residence to receive notifications, intimations, reports, and the like from SAGIA, and update such addresses when changed within sixty (60) days as a maximum.
9. Establish a website on the Internet containing all necessary information about the entity including its contact details.
10. Appoint a liaison officer to be the point of contact with SAGIA provided that this officer should be one of the entity's employees who is registered with the social insurance. The personal details of this officer should be updated immediately upon any change thereto.

Article (18):

The Governor shall issue a decision to nominate SAGIA Inspectors who are authorized to monitor the implementation of the Law and these Regulations, defining their powers including the following:

1. To monitor compliance of the provisions of the Law and these Regulations and visit SAGIA licensed entities.
2. To examine all the licenced entity's records, files and documents and obtain copies thereof. The licenced entity shall be not entitled to conceal any information on grounds of its confidentiality or any other reason.
3. To identify violations, draft the written notifications, prepare the violation minutes attaching all violation's substantive evidence, and submit necessary reports to the Governor or his designated representative.
4. SAGIA Inspectors shall maintain the confidentiality of information and records which licensed entities have provided access during field visits and shall not deliver them to any third party without the Governor's approval.

Article (19):

1. SAGIA shall notify the licenced entity in writing of any violation of the provisions of the Law or these Regulations and prescribe a suitable period of time specified by SAGIA to rectify any violation(s).
2. Without prejudice to any greater penalty, the licenced entity under the existence of the violation shall be subject to any of penalties stipulated in Article (12) of the Law.
3. The notice of decision to impose a penalty shall be issued by the Board of Directors and signed by its Chairman or his designated representative.
4. The notice of decision to impose a penalty may be appealed before the Board of Directors and if it is upheld, a resolution to this effect shall be issued and signed by the Board of Directors' Chairman or his designated representative. The concerned licenced entity may appeal the decision before the Board of Grievances according to its regulations.

Article (20):

The acts which shall be considered violations of the provisions of the Law, its Regulations and Licence conditions include, but shall not be limited to, the following:

1. Differences between the details of the commercial registration and the details of the Licence issued by SAGIA.
2. Performing unlicensed investment or commercial activity.
3. Non availability of a Licence for the company branches and marketing centers.
4. Ceasing the investment activity during the validity period of the Licence, except in cases of force majeure accepted by SAGIA and the submission of a timetable stating the date when the performance of the activity will be resumed, within five (5) days of occurrence of the force majeure event.
5. Using a name or a brand of an international or national commercial agency without permission or using official letterheads, seals or marketing materials bearing a commercial name other than that which is licensed by SAGIA.
6. Non-compatibility of product standards and specifications with the GCC, Saudi or international recognized standards.
7. Failure to notify SAGIA in writing of the amendment of address, mailing details, contact information or data update.
8. Failure to notify SAGIA and obtain its prior approval of transferring, selling, assigning or closing project site without acquiring and activating another one.
9. Direct or indirect reduction of the capital according to the financial statements.
10. Transferring the sponsorship of all or part of project workers to other individuals or entities without the approval of SAGIA.
11. Inadequacy of project site for the size of licensed investment.
12. Employing workers not under the sponsorship of the licensed entity.

13. Workers sponsored by the licensed entity working for other third party individuals or entities.
14. Failure to organize industrial operations at the plant in accordance with the industrial standards prevailing in the industrial sector.
15. Failure to renew the documents required by the law to perform the licensed activity.
16. Submission of fake or non-existent execution contracts.
17. Providing SAGIA with false statements or misleading information.
18. Failure to commence exercising the activity after the end of the time schedule submitted by the License Applicant to SAGIA.
19. Failure to provide a statement of implementing works commensurate with the licensed capital.
20. Utilizing facility site to perform unlicensed activities.
21. Non-compliance with producing all the licensed products or decreasing the production capacity.
22. Failure to apply for license renewal before its expiry.
23. Failure to acquire any contracts or works to perform the investment activity after the end of the project time schedule.
24. Failure to obtain a final approval from the competent authority to perform the activity in accordance with the time schedule.
25. Non-availability of a technical and administrative staff commensurate with the entity's activity and projects.
26. The absence of an accounting system and failure to register the daily accounting entries.
27. Failure to provide access to SAGIA or its designated legal accountants to review and audit the licensed entity's accounting system, financial statements as well as the information, statistics, data, financial records and payrolls provided by the entity to SAGIA and upon the request of SAGIA.
28. Lack of appropriate housing facilities for employees in accordance with the stipulations of the laws, regulations and instructions.
29. Failure to finalize the legal procedure subsequent to the Licence for the entity or its branches in accordance with the time schedule.
30. Exceeding the licensed production capacity without SAGIA's prior approval.
31. Employing individuals who are not holding valid residence permits.
32. Failure to submit a clear detailed and audited balance sheet certified by a certified public accountant recognized by the Saudi Organization for Certified Public Accountants (SOCPA), six (6) months after the end of a complete financial year of the enterprise (according to the commercial registration).
33. Assignment of construction project contracts to another entity without SAGIA's prior approval.
34. Assignment, lease or disposal of, in any manner, the ownership of the Licence issued by SAGIA without SAGIA's prior approval.

35. Failure to deposit the entity's capital in a Saudi bank and notify SAGIA of the same within a period of not more than ninety (90) days from the date on which the Licence has been issued, using SAGIA's appropriate form for such notification.
36. Failure to activate and operate SAGIA-licensed branches of the investment entity.
37. Non-existence of the entity sign matching the official name licensed by SAGIA.
38. Existence of another project on the same site.
39. Failure to comply with any of the laws, regulations and instructions of the governmental bodies related to the licensed activity.
40. Non-payment of wages and benefits to employees on a regular basis and non-submission of a copy of salary bank transfer records.
41. Failure to comply with any of the conditions, instructions, undertakings or commitments contained in the new Licence form, Licence renewal form or Licence amendment form.
42. Non-existence of a site for the licensed plant within the plant organization chart.
43. Refusing to receive or cooperate with SAGIA Inspector.
44. Failure to provide information, documents, statistics, data, records, transfers and financial payrolls required by SAGIA.
45. Failure to comply with the required Saudization rate as stipulated by the laws, regulations and instructions of the Ministry of Labour.
46. Failure to utilize the ownership of the real estate for which the Licence has been issued during the period specified by SAGIA.

Article (21):

The authority and right of the interpretation and amendment through deletion or addition, of the Articles of these "Regulations" shall be vested in the Board of Directors.

Article (22):

These regulations shall be published in the Official Gazette and shall become effective as of the date of its publication.