

## INVESTMENT LAW OF THE KINGDOM OF SAUDI ARABIA

The Kingdom of Saudi Arabia (the "**Kingdom**") issued the Investment Law, pursuant to Royal Decree M/19 dated 16/1/1446H corresponding to 22 July 2024G (the "**IL**"), which will come into force six months after its publication in the Official Gazette. The IL replaces the Foreign Investment Law issued pursuant to Royal Decree M/1 dated 5/1/1421H corresponding to 10 April 2000G (the "**Foreign Investment Law**"). The IL intends to advance and strengthen the competitiveness of the investment environment within the Kingdom, contribute to economic development, and create employment opportunities by establishing a favorable investment ecosystem. The issuance of the IL followed a public consultation process conducted by the Ministry of Investment in April 2022.

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### Overview of the IL

The IL delineates high-level provisions outlining the fundamental regulatory aspects of investment within the Kingdom. The following present an overview of the main components of the IL:

#### (a) Scope

The IL extends its applicability to both local and foreign investors, in contrast to the previous Foreign Investment Law, which was limited to foreign investors solely. The IL defines a local investor as "a natural or legal person of Saudi nationality who engages in investment" and defines a foreign investor as "a natural or legal person who engages in investment, and who is not deemed a local investor in accordance with the provisions of this Law."

**(b) Freedom to invest**

In principle, the IL allows both local and foreign investors to engage in all sectors and activities. Nevertheless, foreign investors may be restricted from engaging in certain activities. These activities are determined by the Permanent Ministerial Committee for the Examination of Foreign Investments<sup>1</sup>, and are published by the Ministry of Investment. It is worth noting that a foreign investor may request a permission to engage in one of the restricted activities through initiating a request to the Ministry of Investment, which will then forward the request to the relevant authority.

**(c) Investor rights and obligations**

The IL grants seven rights for both local and foreign investors, these are as follows:

1. Right to be treated equally;
2. Right to be treated fairly;
3. Right to protection against unlawful confiscation and expropriation;
4. Right to transfer funds within or outside the Kingdom without delay;
5. Right to manage and dispose investment, and own property necessary for their operations;
6. Right to protection of intellectual property and trade secrets; and
7. Right to facilitation of administrative procedures and provision of necessary support by the competent authorities.

Additionally, the IL mandates the Ministry of Investment to provide investors with (i) available data and statistics; (ii) essential services; and (iii) resolution of their complaints.

The IL includes general obligations for investors, primarily including their duty to adhere to all laws and regulations applicable in the Kingdom, as well as to the Kingdom's international commitments.

**(d) Incentives**

The IL stipulates that investment incentives are awarded to investors by the competent authorities based on specific, fair, and objective criteria. The implementing regulations will detail the necessary provisions for the implementation of this provision.

**(e) National register and services centre**

The IL mandates the Ministry of Investment to establish a national register for investors where all the information and data related to their investments are entered. Additionally, the IL specifies that the Ministry of Investment shall manage and update the register and maintain its confidentiality.

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<sup>1</sup> The Permanent Ministerial Committee for the Examination of Foreign Investments was formed pursuant to Council of Ministers Resolution (83), dated 30/1/1443H. This committee is mandated with examining, evaluating, and deciding on foreign investment applications based on criteria related to security or public order.

Additionally, the IL allows the Ministry of Investment, via its comprehensive services center, which acts as a one-stop-shop, to receive investor applications to obtain any regulatory approvals to conduct an investment activity, including any licenses or permits. The Ministry of Investment coordinates with other competent authorities for obtaining the necessary approvals.

**(f) National security**

The IL empowers the Ministry of Investment to suspend any foreign investment for national security reasons. However, such a suspension must be grounded in objective reasons and aligned with the Kingdom's obligations under international agreements. The IL defers the detailed procedures for this process to the implementing regulation.

**(g) Alternative dispute resolution ("ADR")**

The IL reaffirms the right of all investors to seek resolution of disputes through the competent court or to ADR, including disputes with competent authorities

**(h) Economic activities and special economic zones ("SEZs")**

The IL specifies that its provisions do not supersede the laws governing specific economic activities or SEZs within the Kingdom. However, it affirms that all investors will, at a minimum, retain the rights granted by the IL.

**(i) Sanctions**

The IL stipulates that an investor who commits a non-serious violation related to registration or engages in a restricted activity will be notified by the Ministry of Investment to rectify the issue within a timeframe to be specified in the implementing regulation. If the investor fails to address the non-serious violation within the given period or commits a serious violation, they may face penalties including a warning, a fine up to 300,000 SAR (which may be doubled for repeat offenses), or cancellation of their registration.

The implementing regulation will define what constitutes serious violations and outline the procedures for detecting them. Additionally, the Minister of Investment will establish one or more committees to review violations and impose penalties. When imposing penalties, these committees should consider the severity and frequency of the violation as well as the size of the entity that committed it.

**(j) Power to issue the implementing regulation**

The IL gives the Minister of Investment the power to issue the implementing regulation of the IL, and it specifies that the implementing regulation shall be issued within six months of the date of the publication of the IL in Official Gazette.

## **IMPACT ON LEGISLATIONS**

The IL repeals the Foreign Investment Law and any provisions that are in conflict with it.

## CONCLUSION

The IL is the first law in Kingdom that regulates investment-related matters for both local and foreign investors, clearly and precisely outlining their rights. Its introduction will provide investors with greater assurances pertaining the regulatory ecosystem in the Kingdom. Thriving economy is a key pillar of 2030 vision, and the IL is expected to have a key role in the achievement of the Kingdom's ambitious economic objectives. We will continue to anticipate the implementing regulation of the IL, which is expected to provide further details on the matters addressed by the IL.