

The Impact of the Entertainment Activities and Ancillary Activities Law on the Entertainment Sector

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The entertainment sector in the Kingdom of Saudi Arabia (the "**Kingdom**") is undergoing a significant phase of regulatory development. The issuance of the Entertainment Activities and Ancillary Activities Law pursuant to Royal Decree No. (M/12) dated 7/1/1448 H (the "**Law**"), elevates the sector's regulatory framework to the level of a law issued by Royal Decree, a clear reflection of the sector's growing strategic importance and its role in supporting economic development and achieving the objectives of the Kingdom's Vision 2030. The Law will take effect (180) days from the date of its publication which is 30 December 2026, and as of the date of this briefing, has not yet entered into force.

This development marks a significant opportunity for investors and companies operating in the entertainment sector and ancillary activities. By establishing a clearer, more stable, and more predictable regulatory framework, the Law strengthens confidence in the sector and provides a stronger foundation for investment decisions.

Furthermore, the Law is not limited to regulating existing activities; it also establishes a supportive framework for the sector's future growth and development. Consequently, companies operating in the entertainment sector—or those wishing to enter it may benefit from proactively reviewing their business models, assessing their readiness to meet regulatory requirements, and monitoring relevant implementation developments. This will enable them to capitalize on emerging opportunities and strengthen their competitive position in the market.

Key Findings

- A landmark step in developing the Kingdom's entertainment sector regulatory framework, clearly defining the procedures, roles, and obligations of all parties involved.
- Elevates the sector's regulatory framework to the level of a law issued by Royal Decree, delivering greater clarity and stability for companies and investors.
- Enhances the sector's investment appeal through a more mature, predictable regulatory environment that supports expansion plans and new project launches.
- The delayed effective date gives investors and companies a window to assess their operational readiness ahead of the obligations to follow under the implementing regulations.

Below, we address the key provisions of the Law and their impact on the entertainment sector, divided into two main sections: Section One provides an overview of the Law's key provisions, and Section Two offers a general overview of the regulatory impact.

Section One: An Analysis of the Law's Key Provisions

First: Purpose and Scope of the Law

The Law aims to regulate, develop, and enhance the quality of entertainment and ancillary activities across the Kingdom, providing a clear and structured framework for the continued growth and development of the sector.

The Law distinguishes between two principal categories of regulated activities:

- **Entertainment Activities**, which include the operation of entertainment cities and centres, as well as the organisation of entertainment events, shows, and live performances; and
- **Ancillary Activities**, which include crowd management and control services, together with reservation and ticketing services provided to the entertainment sector.

Importantly, the Law does not extend to private entertainment events and performances that are not open to the public. This delineation provides greater certainty regarding the activities that fall within the General Entertainment Authority (the "**GEA**") regulatory remit.

The Law also adopts a defined and structured approach to determining the scope of regulated activities. Activities are not brought within the Law's ambit solely because they are connected to the entertainment sector. Rather, any addition of new entertainment or ancillary activities requires approval by the Board of Directors of GEA, followed by approval from the Council of Ministers, while preserving the powers of other competent authorities.

Second: Regulating the Conduct of Entertainment and Ancillary Activities

1. Requirements for Conducting Activities

A key feature of the Law is the establishment of a clear regulatory framework governing the conduct of entertainment and ancillary activities. To this end, the Law introduces three distinct instruments, each corresponding to a specific category of activity:

- 1 **"Licenses"** for the operation of entertainment cities and centres;
- 2 **"Permits"** issued on a temporary basis for entertainment events, shows, and live performances; and
- 3 **"Certificates of Accreditation"** for ancillary activities.

Holders of any of these instruments are collectively referred to as "Licensees", and are subject to the provisions of the Law in accordance with the nature of the activity undertaken and the applicable instrument.

The Law further empowers the implementing regulations to prescribe the conditions, requirements, controls, and procedures governing the issuance, renewal, and amendment of licenses, permits, and certificates of accreditation. The implementing regulations will also determine their respective validity periods and the legal consequences associated with any amendment, suspension, or cancellation.

Importantly, the Law prohibits the conduct of any regulated entertainment or ancillary activity unless the relevant license, permit, or certificates of accreditation has been obtained from GEA, without prejudice to any additional approvals or regulatory requirements imposed by other competent authorities. While the Law permits the Board of Directors of GEA to exempt certain activities from the requirement to obtain a permit, this exemption is limited in scope and does not extend to the requirement to obtain a license or certificates of accreditation.

2. Standards and Classification

To promote service quality and operational excellence across the entertainment sector, the Law introduces a classification framework for both Licensees and regulated activities. Classification is based on objective criteria, including technical capabilities, operational competence, and the quality of services and activities provided.

Under the Law, GEA is responsible for classifying Licensees and regulated activities and issuing the corresponding classification certificates. In parallel, the Board of Directors of GEA is empowered to classify licenses, permits, and certificates of accreditation into different categories and to determine the requirements, conditions, and regulatory implications applicable to each category.

3. Fees

The Law establishes a framework for the imposition of regulatory fees associated with conducting entertainment and ancillary activities. Under this framework, the Board of Directors of GEA is responsible for determining the financial consideration payable for the issuance, renewal, suspension, and amendment of licenses, permits, and certificates of accreditation.

In addition, GEA may collect a fee in connection with ticket sales for entertainment activities, provided that such fee does not exceed 10% of the value of each ticket.

Importantly, the determination and application of such fees remain subject to the requirements of the National Framework for Government Fees and Financial Consideration, reflecting the Kingdom's broader approach to ensuring transparency, proportionality, and consistency in the imposition of fees.

Third: Obligations and Oversight

1. Obligations of Licensees

The Law imposes a number of core obligations on Licensees to ensure that entertainment and ancillary activities are conducted in a manner that aligns with regulatory requirements and public policy objectives. In particular, Licensees are required to comply with the provisions of the Law, its implementing regulations, the decisions and directives issued by GEA, and all other applicable laws and regulations.

Licensees must also conduct their activities in a manner that preserves public order and public morals. In addition, they are required to advertise and promote entertainment activities in accordance with the requirements, controls, and guidelines issued by GEA and to comply with all terms and conditions attached to their license, permit, or certificate of accreditation.

2. Suspension of Activities

The Law grants GEA powers to suspend entertainment and ancillary activities where circumstances warrant regulatory intervention. In particular, GEA may order the suspension of an activity, whether in whole or in part, on a temporary or permanent basis, where it determines that the activity poses a risk to the safety or health of attendees, involves a violation of the Law or its implementing regulations, or where such action is necessary to protect the public interest.

Importantly, this power is distinct from the suspension or revocation of a license, permit, or certificate of accreditation as a penalty, which may only be imposed by the Violations Committee.

3. Oversight, Inspection, and Visitor Protection

The Law grants GEA supervisory powers to oversee compliance across the entertainment sector and to safeguard the interests of attendees and visitors.

To support its oversight functions, GEA is responsible for monitoring compliance with the Law and its implementing regulations, conducting inspections, and detecting violations through inspectors appointed by the Chairman of the Board of Directors of GEA. Upon presenting their official credentials, inspectors are authorized to enter and inspect relevant premises, review records and documents, monitor compliance with applicable requirements, and receive complaints related to regulated activities. Where necessary, inspectors may also seek assistance from the competent security authorities in accordance with the procedures to be prescribed in the implementing regulations.

Fourth: Violations and Penalties

1. Violations

The Law establishes a robust enforcement framework designed to promote compliance and uphold regulatory standards across the entertainment sector. Any person who violates the Law or its implementing regulations may be subject to one or more penalties.

2. Detection and Rectification of Violations

The Law adopts a compliance-focused approach to enforcement by allowing opportunities for certain violations to be remedied before formal penalties are pursued. As part of this framework, GEA may, at its discretion, grant a violator a period to rectify a violation before referring the matter to the Violations Committee for consideration.

3. The Violations Committee

To ensure the fair and orderly enforcement of the Law, the Law establishes a dedicated Violations Committee responsible for adjudicating violations and imposing the penalties prescribed under the Law. The Violations Committee is formed by a decision of the Board of Directors of GEA and must comprise no fewer than three members.

Section Two: Overview of the Regulatory Impact

First: New Incentives and Investment Opportunities for the Private Sector

Beyond establishing a clearer and more predictable regulatory framework, the Law signals a broader policy objective of encouraging private-sector participation and investment in the Kingdom's rapidly expanding entertainment sector.

In this regard, the Council of Ministers' resolution approving the Law contemplates a range of measures aimed at supporting investment and fostering sector growth. These include the possibility of proposing investment incentives, customs and tax exemptions, and the allocation of government-owned land for private-sector investment in entertainment and ancillary activities regulated under the Law. Collectively, these measures have the potential to strengthen the sector's attractiveness and encourage both domestic and international investment.

The inclusion of such investment-support measures reflects the Kingdom's continuing efforts to position the entertainment sector as a strategic contributor to economic diversification and private-sector growth. As the regulatory framework continues to evolve, these initiatives could create new opportunities for investors and companies seeking to expand their presence in the market.

Second: What Companies Must Do to Prepare for the Law

Monitor the Implementing Regulations

Monitor the issuance of the implementing regulations, as they are expected to introduce detailed requirements that may directly impact business operations, compliance obligations, and investment strategies.



Take Advantage of the New Activities

Take advantage of the opportunities created by the Law by assessing whether existing or planned activities fall within the regulated entertainment and ancillary activities and, where applicable, obtaining the required licenses, permits, and certificates of accreditation.



Prepare for the Classification and Standards

Prepare early for the GEA's classification requirements and leverage classification as a competitive advantage to strengthen market positioning and demonstrate operational excellence.



Review Operational Frameworks

Review and update internal policies and compliance procedures to align with the Law and its implementing regulations, and train relevant teams on their practical implementation.



Leverage Appeal Channels

Strengthen internal compliance processes to identify and address potential violations proactively, while ensuring readiness to navigate the Law's objection and appeal mechanisms effectively.



Finally, the impact of the Law extends beyond regulating the entertainment sector and establishing a clearer and more predictable regulatory framework. It also supports the creation of an investment-friendly environment that encourages growth, expansion, and private-sector participation. As a result, early preparation for the Law and its implementing regulations, a clear understanding of the applicable requirements, and close monitoring of emerging opportunities and incentives will be critical to maintaining competitiveness and capturing value within the sector.



Fahad Abuhimed

Managing Partner, Head of Public Policy and Regulatory

Email: Fahad.Abuhimed@cliffordchance.com
Mobile: +966555022298



Hanan Hassanain

Partner
Public Policy and Regulatory

Email: Hanan.Hassanain@cliffordchance.com
Mobile: +966562965481



Saad Aldulaim

Counsel,
Public Policy and Regulatory

Email: Saad.Aldulaim@cliffordchance.com
Mobile: +966560364617



Maram Falatah

Associate,
Public Policy and Regulatory

Email: Maram.Falatah@cliffordchance.com
Mobile: +966552655252



Bandar AlTuwairi

Associate,
Public Policy and Regulatory

Email: Bandar.Altuwairi@cliffordchance.com
Mobile: +966555708179



Abdulmajeed AlFouzan

Associate,
Public Policy and Regulatory

Email: Abdulmajeed.AlFouzan@cliffordchance.com
Mobile: +96655512877

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www.ashcliffordchance.com AS&H Clifford Chance, Building 15, The Business Gate, Riyadh, Kingdom of Saudi Arabia

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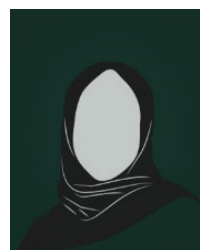
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Riyouf Alluhaidan

Junior Associate
Public Policy and Regulatory

Email: Riyouf.Alluhaidan@cliffordchance.com
Mobile: +966553146500