

Article 1:

The following expressions and terms shall have the meaning ascribed beside each, unless the context deems otherwise:

The Council: The Supreme Economic Council.

Board of Directors: The Board of Directors of the General Investment Authority.

The Authority: The General Investment Authority.

The Governor The Governor of the General Investment Authority and Chairman of the Board of Directors.

Foreign Investor: The natural person of non-Saudi nationality or otherwise the body corporate, where all partners are non- Saudi nationals.

Foreign Investment: Investment of Foreign Capital in a licensed activity under this Act.

Foreign Capital: The Foreign Capital in this Act shall mean, for example but not limited to, the following funds and rights as long as they are possessed by a Foreign Investor:

- ❑ Money, securities and commercial instruments.
- ❑ Foreign investment profits if they are invested to increase the capital, expansion of existing projects or establishment of new projects.
- ❑ Machinery, equipment, supplies, spare-parts, means of transportation and production requirements relevant to the investment.
- ❑ Legal rights i.e., licenses, intellectual properties, technical know-how, administrative skills and production techniques.

Production Facilities: Projects for the production of industrial and agricultural products (plant and animal).

Service Facilities: Service and construction projects.

The Act: The Foreign Investment Act.

The Rules: The Rules of Implementation of this Act.

Article 2:

Without prejudice to the requirements of regulations and agreements, the Authority shall issue a license for a Foreign Capital Investment in any investment activity in the Kingdom, whether permanent or temporary.

The Authority shall make a decision about the investment application within thirty days after the completion of documents provided for in the Rules. In the event that the specified period elapsed without the Authority rendering a decision about the application it shall be obligated to issue the required license for the investor.

If the Authority shall deny the said application within the specified period, then the pertinent decision of denial shall be justified, and the party against whom the decision of denial had been issued shall have the right to contest such decision according to regulations.

Article 3:

The Council shall have the authority to issue a list of activities excluded from Foreign Investment.

Article 4:

Subject to Article 2, the Foreign Investor may obtain more than one license in different activities, and the Rules shall specify the necessary measures.

Article 5:

Foreign Investments licensed under the provisions of this Act, may be in either of the following forms:

1. Facilities owned by a national and a Foreign Investor.
2. Facilities wholly owned by a Foreign Investor.

The legal form of the Facility shall be determined according to regulations and directives.

Article 6:

A project licensed under this Act shall enjoy all the benefits, incentives and guarantees enjoyed by a national project according to regulations and directives

Article 7:

The Foreign Investor shall have the right to reallocate his share as derived from the selling of his equity, or from the liquidation surplus or profits generated by the facility, out of the Kingdom or to use by any other legal means, and he shall also be entitled to transfer the required amounts to settle any contractual obligations pertaining to the project.

Article 8:

The foreign facility licensed under this Act shall be entitled to possess the required real estates as might be reasonable for practicing the licensed activity or for the housing of all or some of the staff as per the provisions for non-Saudi nationals real estate acquisition.

Article 9:

The Foreign Investor and his non-Saudi staff shall be sponsored by the licensed facility.

Article 10:

The Authority shall provide all those interested in investment with all necessary information, clarifications and statistics, together with all services and procedures to facilitate and accomplish all matters pertaining to the investments.

Article 11:

Investments related to the foreign investor shall not be confiscated wholly or partially without a court order, moreover, it may not be subject to expropriation wholly or partially except for public interest against an equitable compensation according to Regulations and Directives.

Article 12:

(a) The Authority shall inform the Foreign Investor in writing when violating the provisions of this Act and its Rules in order that such violation be rectified within a period of time determined appropriate by the Authority for rectifying such violation.

(b) Without prejudice to any greater penalty, the Foreign Investor under the existence of the violation shall be subject to any of the following penalties:

- With hold all or part of the incentives and benefits allocated for the Foreign Investor.
- Imposition of a financial fine not exceeding 500,000 SR (Five hundred thousand Saudi Riyals).
- Cancellation of the Foreign Investment license.

(c) The imposition of the penalties referred to in paragraph (b) herein above, is rendered by a resolution by the Board of Directors.

(d) A petition against the penalizing resolution may be brought before the Board of Grievances according to its regulations.

Article 13:

Without prejudice to the Agreements in which the Kingdom of Saudi Arabia shall be a party of:

- Disputes arising between the Government and the Foreign Investor relating to his licensed investments under this Act shall as far as possible be settled amicably, and if this shall prove to be impossible, then the dispute shall be settled according to regulations.
- The disputes arising between the Foreign Investor and his Saudi partners relating to his licensed investments under this Act shall as far as possible be settled amicably, and if this shall prove to be impossible, then the dispute shall be settled according to regulations.

Article 14:

All Foreign Investments licensed under this Act shall be treated in accordance with the Tax code valid in Saudi Arabia and its amendments.

Article 15:

The Foreign Investor undertakes to abide by all regulations, rules and directives valid in Saudi Arabia together with international agreements in which it is a part thereof.

Article 16:

The implementation of this Act shall not prejudice the vested interests of Foreign Investments that legally existed before this Act shall come into force, however, these projects in conducting their activity or increasing their capital shall be subject to its provisions.

Article 17:

The Authority shall issue the Rules, which shall be published in the Official Journal, and shall be effective as of the date of its publishing.

Article 18:

This Act shall be published in the Official Journal, and shall be effective thirty days after its publishing, and shall invalidate the Foreign Capital Investment Act issued by the Royal Decree no. (M/4), dated 2/2/1399 (H), together with any contradicting provisions.

ANNEX (A): Real Estate Law

As a corollary to the Foreign Investment Law, enacted in April 2000 to encourage non-Saudi investment in the Kingdom, the government announced a new Real Estate Law seven months later. The new law, with eight basic articles, was aptly named 'The system of real estate ownership and investment of non-Saudis'. This law entitled resident non-Saudis to own real estate for their private residence with the permission of the Interior Ministry. It also allowed ownership of real estate by foreign investors to conduct their business activities and own properties required for their accommodation and that of their employees. The law also entitled investors to rent their properties. It is anticipated that the new law will encourage major international companies and property developers to enter and influence the Saudi real estate market.

The law, however, makes provisions for preventing artificial price hikes and real estate speculation. To ensure this, it stipulates retaining ownership for at least five years. Previous laws permitted investors to keep properties only for three years before selling. The law also states that at least SR 30 million should be invested for receiving the license for purchasing land and buildings for selling and renting purposes. This law prevents foreigners from owning properties in the holy cities of Makkah and Madinah, except through inheritance and endowments. Renting within the two cities is, however, permitted for not more than two years. The application of the new law does not cancel the rights of foreigners and GCC citizen to own properties as per previous regulations.

On 8/4/1421 H, The Council of Ministers endorsed a new Saudi Real Estate Law to allow foreigners to own, sell and invest in the Real Estate Market.

The following is an overview of the new Law:

First:

(a) Non-Saudi Investors, either Persons or Companies, may own the required Real Estate for their licensed businesses provided the approval of the Licensing Authority is obtained. This includes property for personal residences and workmen's housing. The property may also be leased to other entities.

(b) If the concerned License allows for the purchase of Real Estate or land for construction, investment, and sale or leasing, the total cost of the project, both land and construction, will not be less than SR 30 million. The Investment will have to be carried out within the first five years of ownership.

Second:

Non-Saudi expatriates enjoying normal legal residence status in Saudi Arabia may own Real Estate for housing purposes, provided they acquire a License from the Ministry of Interior.

Third:

Foreign accredited missions in the Kingdom may, on the basis of reciprocity, own the property where the Chancery and the official residence are based. International and Regional Organizations may also own property where their Headquarters are based within the limits of the Agreements that govern their operations. A License from the Minister of Foreign Affairs is conditional in this case.

Fourth:

With the exception of inheritances, non-Saudis may not own Real Estate in Makkah or Madinah unless the estate is endowed to a particular Saudi Institution in accordance with the Regulations of Shari'a (Islamic Law). However, non-Saudis may lease property in Makkah and Madinah for a two-year renewable period.

Fifth:

The enforcement of these Regulations will not override the following:

- (a) Property ownership privileges acquired by citizens of GCC countries by virtue of GCC Ownership Regulations;
- (b) Acquisition of ownership rights or rights in term of property by Inheritance;
- (c) Regulations, Cabinet Resolutions, and Royal Decrees prohibiting Real Estate Ownership in certain locations.

Foreign Investment Act - Executive Rules - [2000]

First: Definitions

Article 1:

The Council	The Supreme Economic Council
The Board of Directors	The Board of Directors of the Saudi Arabian General Investment Authority
The Chairman of the Board of Directors	The Chairman of the Board of Directors of the Saudi Arabian General Investment Authority
The Governor	The Governor of the Saudi Arabian General Investment Authority
The Authority	The Saudi Arabian General Investment Authority
Foreign Investor	A natural person who is not a Saudi national, or a corporate entity, partners thereof are not Saudi nationals
Foreign Investment	Investment of Foreign Capital in an activity licensed under the Act and the rules

Foreign Capital	<p>For purposes of the Act and the Rules, Foreign Capital shall mean, but is not limited to, the following assets and rights so long as they are held by a Foreign Investor:</p> <ul style="list-style-type: none"> □ Cash, securities and commercial papers. □ Foreign Investment profits if reinvested to increase capital expand existing investment entities or establish new ones. □ Machinery, equipment, fixtures, spare-parts, means of transportation and production requirements related to the investment. □ Intangible rights such as licenses, intellectual property rights, technical know-how, administrative skills and production techniques.
The Act	The Foreign Investment Act
Products Facilities	Projects for the production of industrial and agricultural products (crops and livestock)
Service Facilities	Service and contracting projects
The Rules	The executive Rules of Foreign Investment Act
The Center	Investors Service Center Stipulated in Article (9) of the Saudi Arabian General Investment Authority's Act

Second: The Fields of Investment

Article 2:

The Authority is authorized to issue a license for foreign capital investment in the Kingdom for any investment activity whether permanent or temporary with the exception of the activities excluded under the third article of the Act.

Article 3:

The Board of Directors shall periodically review the list of activities excluded from foreign investment in order to shorten it and submit it to the Council to consider its approval.

Article 4:

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

- Entities jointly owned by a national and a foreign investor.
- Entities wholly owned by a foreign investor.

Third: Benefits, Incentives and Guarantees

Article 5:

Foreign Investment projects shall enjoy all the benefits, incentives and guarantees extended to national projects, including the following:

- The incentives stipulated in the Protection and Promotion of National Industries Act issued by Royal Decree No. 50 dated 23.12.1381 H.
- Ownership of real estate required to carry out the investor's licensed activity or for his residence and his staff housing according to the provisions of the Regulation of Ownership and Investment in Real Estate by Non-Saudis issued by Royal Decree No. M/15 dated 17.04.1421 H.
- The benefits ensuing from agreements of avoiding double taxation and agreements of promotion and protection of Investment which are signed by the Kingdom.
- 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 against fair compensation.
- Foreign investors are entitled to repatriate their share that is derived from the sale of his equity, from surplus of liquidation or the profits generated by the entity and to dispose of it by any legal obligations. He is also entitled to transfer required amounts to fulfill any contractual obligations in respect of the project.
- Shares can be freely exchanged amongst partners and others.
- The licensed entity is entitled to sponsor the foreign investor and his non-Saudi staff.

- The licensed entity is entitled to obtain industrial loans in accordance with the regulations of The Saudi Industrial Development Fund.
- The losses incurred by the entity may be carried forward to the following years and will not be calculated at tax settlement of the years during which the entity reaps profits.

Fourth: Licensing Conditions and Criteria

Article 6:

The conditions for granting a Foreign Investment license by The Authority shall include the following:

The investment activity to be licensed should not be in the List of Excluded activities from Foreign Investment.

The intended Product should comply with the Kingdom's rules and regulations, or the laws of the European Union or the United States of America in the absence of those laws, in terms of standards and specifications, raw materials and production processes.

(a) The amount of capital invested shall not be less than twenty five million Saudi Riyals for agricultural entities.

(b) The amount of capital invested shall not be less than five million Saudi riyals for industrial entities.

(c) The amount of capital invested shall not be less than two million Saudi riyals for other entities in accordance to detailed conditions and criteria laid down by Board of Directors.

The Board of Directors may reduce the minimum invested capital in projects established in areas specified by it or in projects which require high technical experiences or export projects.

The Foreign Investor should not have been convicted in the past for substantial violations of the provisions of The Act.

The Foreign Investor should not have been convicted in the past of financial or commercial violations whether in the Kingdom or in other countries.

The grant of a license shall not result in the breach of any international or regional agreement to which the Kingdom is a party.

Article 7:

The Foreign Investor may obtain more than one license to practice the same activity or a different activity(s) subject to the following conditions:

- The conditions set forth under Article (6) of The Rules must be satisfied.
- Licensing applications to practice the same activity submitted by natural or moral persons shall be considered as expansion of established projects applications.
- The Board of Directors will reconsider these conditions periodically or when deemed necessary.

Article 8:

The Foreign Investor may purchase local or foreign investment entities or shares thereof subject to the conditions set forth in Article (5) and Article (6) of the rules.

Fifth: Licensing Procedures

Article 9:

The Authority shall prepare an investment guide containing a description of the procedures for obtaining both permanent and temporary licenses and their modifications, as well as the forms, required documents to obtain the licenses and any information needed by the investor. The guide shall also list the incentives, benefits and guarantees to be enjoyed by The Foreign Investor. In addition, the guide must contain substantial information about the following:

- Foreign Investment Act, its rules and supplementary decisions.
- The Statute of the General Investment Authority and the Executive Rules of the General Investment Authority
- The Regulation of Ownership and Investment in Real Estate by Non-Saudis
- Protection and Promotion of National Industries Act.
- Labor and Workmen Act and Social Insurance Act.
- Zakat, Tax and Customs Regulations.

- Legal Sharia Procedures Act.
- Penal Procedures Act.
- Legal Profession Act.
- Companies Regulations (Commercial Register, Trade Fraud, Banks Monitoring).
- Intellectual Property Protection Regulations (Trade Marks Act, Copyrights Protection Act, Patents Act).
- Residence Act.

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

Article 10:

Applications to obtain a foreign investment license shall be submitted to the Applications Reception Unit of The Center, using the designated form. The application must contain all the necessary information; satisfy all documentation requirements cited therein and be signed by the applicant or his duly authorized representative. The Center shall notify the license applicant by a written or electronic receipt note including the number of the application record and its date.

Article 11:

The Authority may accept complete licensing applications and the required attached documents that are delivered by post, e-mail or fax. The licensing decision may be issued accordingly; provided that it will be delivered to the applicant only after The Authority receives the original documents when deemed necessary.

Article 12:

Decisions on submitted applications are subject to the provisions of The Act, The Rules and the resolutions of The Board of Directors. The Governor, or his assigned delegate, shall sign the licensing decisions within thirty days. National holidays shall be excluded from the mentioned period.

Article 13:

The Center shall notify the investor, by hand delivery, registered mail, e-mail or any other means, of the final decision issued with respect to his application.

Article 14:

If The Authority rejects the application for a new license or the modification of an existing license, its rejection shall be justified. The foreign Investor may object to the rejection decision before The Board of Directors within thirty days effective from the date on which he is notified of the rejection decision.

Article 15:

The Board of Directors shall consider the objection and reach a decision on it within thirty days from the date of its submittal. If the objection was rejected, the license applicant shall have the right to challenge the rejection decision before the Board of Grievances.

Sixth: Obligations of the Foreign Investor

Article 16:

The licensed investor shall start the practical steps required for setting up the entity in accordance with the time schedule submitted by him to The Authority. The Authority shall, if The Foreign Investor shows adequate reasons for delays in the implementation procedures, extend the period specified in the schedule, provided that the extensions shall not exceed one year in total. The extension shall not exceed one year unless a decision to that effect is made by The Board of Directors.

Article 17:

When The Authority does not approve the extension requests specified by the time table, and if The Foreign Investor is found not to be diligent after the extension, The Board of Directors may then revoke the license. A Foreign Investor whose license is revoked under this Article shall bear the consequences of revocation.

Article 18:

Licensed entities must abide by the conditions and primary objectives upon which the licenses are issued. No modifications shall be made unless approved by The Authority.

Article 19:

Owners of licensed entities shall adopt an accredited accounting system and a budget for their entities approved by an authorized accounting office. Upon request, owners of licensed entities shall provide The Authority with statistics or information in respect of their entities.

Seventh: Violations

Article 20:

Authority officials, empowered by a written mandate by The Governor or his designated representative, shall have the right to monitor the implementation of the provisions of The Act and The Rules. For this purpose, they have the right to examine records and all documents relating to the investment activity and shall pinpoint violations and submit necessary reports to The Governor or his designated representative. The assigned officials shall maintain the confidentiality of the information and documents they examine.

Article 21:

The Board of Director shall issue a list of violations and penalties pertaining to the violation of the provisions of The Act, The Rules, the licensing conditions and the rules of their implementation and the implementation of the penalties therein.

Article 22:

The Authority shall notify the Foreign Investor in writing regarding any violation of the provisions of The Act, The Rules and the licensing conditions; and shall allow a suitable period of time, as specified by the list of violations and penalties, to correct them. If the Foreign Investor fails to implement the necessary corrections, he shall be subject to any of the penalties provided for in the list of violations and penalties.

Article 23:

The Board of Directors shall form a committee consisting of at least three members, one of whom shall be a legal counselor and shall develop rules and procedures for its functioning. The responsibilities of the committee shall be to review violations of the provisions of The Act provisions and The Rules and the licensing conditions .The committee shall hear the parties accused thereof, to consider their defenses

and to suggest what it sees according to what specified by The Act and the list of violations and penalties. The Board of Directors shall render the penalty decision.

Article 24:

The Foreign Investor with to whom the penalty decision is issued according to Article 23 of The Rules may object to the rejection decision before the Board of Directors within thirty days effective from the date on which he is notified of the rejection decision.

Article 25:

The Board of Directors shall consider the objection and make a decision on it within thirty days from the date of its submittal. If The Board of Directors confirms the penalty the license applicant shall have the right to challenge the rejection decision before the Board of Grievances within 60 days effective from the date on which he was notified of the decision.

Eighth: Disputes Settlement Committee

Article 26:

The Board of Directors shall form, subject to Article 13, paragraph 2 of The Act, a committee composed of at least a chairman and two members to be named The Investment Disputes Settlement Committee. This committee shall consider the disputes arising between the Foreign Investor and his Saudi partners in respect of a licensed investment under The Act. The committee shall work to settle the dispute amicably. In case an amicable settlement could not be reached, the dispute shall be settled through arbitration according to the Arbitration Act and its executive rules issued by Royal Decree No. (46) Dated 12.7.1403 H. This committee is the competent body to consider the dispute as stipulated in the Arbitration Act.

ANNEX (B): Negative List - (Activities excluded from Foreign Investment)

The Supreme Economic Council (SEC) approved the list of economic sectors from which foreign investors will be excluded under the new Foreign Investment Law. The economic activities that are not open to foreign investors are:

Manufacturing Sector

- Oil exploration, drilling and production.

Except the services related to mining sector listed at (5115+883) in International Industrial classification codes.

- Manufacturing of military equipment, devices and uniforms.
- Manufacturing of civilian explosives.

Service Sector

- Catering to military sectors.
- Security and detective services.
- Real estate investment in Makkah and Madina.
- Tourist orientation and guidance services related to Hajj and Umrah.
- Recruitment and employment services including local recruitment offices.
- Real estate brokerage.
- Printing and publishing. Except the following activities:
- Pre-printing services internationally classified at 88442
- Printing Presses internationally classified at 88442
- Drawing and calligraphy internationally classified at 87501
- Photography internationally classified at 875
- Radio and Television Broadcasting Studios internationally classified at 96114
- Foreign Media Offices and Correspondents internationally classified at 962
- Promotion and Advertising internationally classified at 871
- Public Relations internationally classified at 86506
- Publication internationally classified at 88442
- Press Services internationally classified at 88442
- Production, selling and renting of computer software internationally classified at 88

- ❑ Media consultancies and studies internationally classified at 853
- ❑ Typing and Xeroxing internationally classified at (87505 + 87904)
- ❑ Distribution services, wholesale and retail trade including medical retail services and private pharmacies internationally classified at (631 + 632 + 6111 + 6113 + 6121). Also commercial agencies, except franchise rights listed at (8929) by international industrial classifications.
- ❑ Audiovisual and media services.
- ❑ Telecommunications services, except the following activities:
 - ❑ Telex services internationally classified at 7523
 - ❑ Telegraph services internationally classified at 7522
 - ❑ Electronic Data Interchange (EDI) internationally classified at 7523
 - ❑ Enhanced/value-added facsimile services, including storage, forwarding, and retrieving internationally classified at 7523
 - ❑ VSAT services internationally classified at 75291
 - ❑ Fax services internationally classified at 7521 + 7529
 - ❑ GMPCS services internationally classified at 75299
 - ❑ Internet Service Provider (ISP) services internationally classified at 75299
 - ❑ Electronic Mail internationally classified at 7523
 - ❑ Provision of online information and database retrieval internationally classified at 7523
 - ❑ Information provision and online retrieval and/or processing, including transaction processing internationally classified at 843
- ❑ Land and air transportation.
- ❑ Satellite transmission services.
- ❑ Services rendered by midwives, nurses, physiotherapists and paramedics listed at 93191 by international classification codes.
- ❑ Fisheries.
- ❑ Blood banks, poison centers and quarantines