

# **Foreign Investment Law**

**Royal Decree No M/1**

**5 *Muharram* 1421 / 10 April 2000**

**Article One:**

The following terms and expressions shall have the meanings assigned to them, unless the context requires otherwise:

- (a) The Council: The Supreme Economic Council.
- (b) Board of Directors: The Board of Directors of the General Investment Authority.
- (c) The Authority: The General Investment Authority.
- (d) The Governor: The Governor of the General Investment Authority and Chairman of the Board of Directors.
- (e) Foreign Investor: A natural person who is not of Saudi nationality or a corporate person whose partners are not all Saudi.
- (f) Foreign Investment: Investment of foreign capital in an activity licensed by this Law.
- (g) Foreign Capital: For purposes of this Law, foreign capital shall mean, for example, but not limited to, the following assets and rights so long as they are owned by a foreign investor.
  - (1) Cash, securities and negotiable instruments.
  - (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 and production requirements related to the investment.
  - (4) Intangible rights, such as licenses, intellectual property rights, technical know-how, administrative skills and production techniques
- (h) Commodity Firms: Projects for the production of industrial and agricultural goods (crops and livestock).
- (i) Service Firms: Service and contracting projects.
- (j) Law: The Foreign Investment Law.
- (k) Regulations: The implementing regulations of this Law.

**Article Two:**

Without prejudice to the provisions of the laws and agreements, the authority shall issue a license for foreign capital investment in any investment activity in the Kingdom, whether permanent or temporary.

The authority shall act on the investment's application within thirty days of the submission of all the documents required by the regulations. If the specified period lapses without the authority acting on the application, it shall issue the required license to the investor.

If the authority rejects the application within the prescribed period, the decision must be justified, and the party whose application has been rejected shall have the right to appeal such decision according to laws.

**Article Three:**

The council shall have the authority to issue a list of activities excluded from foreign investment.

**Article Four:**

Subject to the provisions of Article 2, the foreign investor may obtain more than one license for different activities, and the regulations shall specify the necessary requirements.

**Article Five:**

Foreign investments licensed under the provisions of this Law may be in either of the following forms:

- (1) Firms jointly owned by a national and foreign investor.
- (2) Firms wholly owned by a foreign investor.

The legal form of the firm shall be determined in accordance with laws and directives.

**Article Six:**

A project licensed under this Law shall enjoy all the benefits, incentives and guarantees extended to a national project, according to laws and directives.

**Article Seven:**

A Foreign Investor may repatriate its share that is derived either from the sale of its equity, the liquidation surplus, or from profits generated by the firm, or to dispose of it in any other lawful manner. The foreign investor may also transfer the amounts required to settle any contractual obligations related to the project.

**Article Eight:**

A foreign firm licensed under this Law may acquire necessary real estate as needed for operating the licensed activity, or for housing all or some of its staff, subject to the provisions governing real estate ownership by non-Saudis.

**Article Nine:**

The foreign investor and its non-Saudi staff shall be sponsored by the licensed firm.

**Article Ten:**

The authority shall make available to all interested investors required information, clarifications and statistics as well as provide them with all services and carry out all procedures to facilitate and complete all investment related transactions.

**Article Eleven:**

The foreign investor's investments may not be confiscated, wholly or partially without a court judgment. Moreover, they may not be subject to expropriation, wholly or partially, except for public interest, against a fair compensation according to laws and directives.

**Article Twelve:**

- (1) The authority shall notify the foreign investor in writing of any violation of the provisions of this Law and its regulations, in order to rectify such violation within the period of time the authority deems appropriate for the rectification of the violation.
- (2) Without prejudice to any harsher penalty, the foreign investor shall be subject to any of the following penalties if the violation persists:
  - (a) Withholding all or some of the incentives and benefits given to the Foreign Investor.
  - (b) Imposing a fine not exceeding 500,000 (Five hundred thousand Saudi riyals).
  - (c) Revoking the foreign investment license.
- (3) The penalties referred to in paragraph (2) above, shall be imposed

pursuant to a resolution by the board of directors.

- (4) The resolution issued may be appealed before the Board of Grievances in accordance with its Law.

**Article Thirteen:**

Without prejudice to agreements to which the Kingdom of Saudi Arabia is party:

- (1) Disputes arising between the government and the foreign investor in relation to its investments licensed in accordance with this Law shall, as far as possible, be settled amicably. Failing such settlement, the dispute shall be settled according to the relevant laws.
- (2) Disputes arising between the foreign investor and its Saudi partners in relation to its investments licensed in accordance with this Law shall, as far as possible, be settled amicably. Failing such settlement, the dispute shall be settled according to relevant laws.

**Article Fourteen:**

All foreign investments licensed under this Law shall be treated in accordance with applicable tax provisions and amendments thereto in the Kingdom of Saudi Arabia.

**Article Fifteen:**

The foreign investor shall comply with all laws, regulations and directives in force in the Kingdom of Saudi Arabia, as well as international agreements to which the Kingdom is party.

**Article Sixteen:**

The implementation of this Law shall be without prejudice to acquired rights of the foreign investments, legally existing before this Law comes into force. However, such projects shall be governed by provisions of this Law, as far as conducting their activities, or increasing their capital is concerned.

**Article Seventeen:**

The authority shall issue the regulations and they shall be published in the

Official Gazette and shall become effective as of the date of its publication.

**Article Eighteen:**

This Law shall be published in the Official Gazette and shall become effective thirty days after its publication. It shall supersede the Foreign Capital Investment Law, issued by Royal Decree No. (M/4), dated 2/2/1399 H, as well as any provisions inconsistent therewith.