SWITZERLAND GLOBAL ENTERPRISE

Saudi Arabia
Legal Provisions

Compiled by:

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GENERAL REMARKS

The Holy Koran[1] forms the constitution of the country. The Saudi legal frame-work is based on Shari'ah law[2]. Political parties or private associations (including trade unions) are not authorised. The Judiciary in the country issues its judgments on the basis of what is stated in the Quran and on the Sunna (Prophet Mohamed's sayings recorded by historians known as Hadith).

In May 2016, the New Companies Law[3] comes into effect. It replaces the 1965 Companies Law which is the main source of codified legislation governing the establishment, operation and liquidation of corporate vehicles under Saudi Arabian law.

The new law represents some significant changes and modernisations to the existing companies' law regime. While some changes will have limited impact for foreign investors doing business in the country, others have the potential for significant impact. Companies doing business in Saudi Arabia will likely benefit from the new law and from the increased attention by the Saudi authorities on regulations affecting companies operating in the country. Companies can increase their profitability and reduce their risks by leveraging the New Companies Law with the advice of experienced counsel.

Commercial disputes, including claims against the government and government agencies in Saudi Arabia should be addressed directly to the Board of Grievances (Diwan Al-Mazalem). The Board of Grievances is the administrative judicial system of Saudi Arabia. Saudi courts do not award interest or costs, and damages are limited to actual or tangible losses, with no means to recover loss of business reputation or anticipated future profit. Legal advisors usually suggest arbitration to foreign companies willing to do business in Saudi Arabia. However, government agencies are not allowed to agree to international arbitration without approval from the Council of Ministers.

According to some legal experts' recommendations, if a dispute arises, the Swiss company should consider using Saudi courts. Nevertheless, it is worth knowing how a dispute will be resolve before entering into a transaction with a Saudi party. Thus before signing any partnership agreement, the following has to be considered:
- Whether to use Saudi courts or courts of other countries;

[1] The Holy Islamic book
[2] Traditional Islamic law
[3] A set of new companies regulations approved by the Council of Ministers and the Shura Council in December 2015

- The type of Saudi tribunal in which the dispute will be resolved; and
- The possibility of arbitration[4]. Before suing a Saudi company in another country, the Swiss company should verify if Saudi Arabia has a reciprocal enforcement treaty with that country.

Mainly foreign firms contemplating an agency or distribution agreement in Saudi Arabia are used to consult with a local lawyer/legal consultant and have a legally binding contract drawn up[5]. Choosing an agent is critical because the Saudi legal system, known as Shari'a, is based on the Koran and Hadith and differs considerably from western practice.

Generally, agreements with local agents or distributors are written in English. Agreements in Arabic should not be signed without independent translation. Clauses regarding individual responsibilities, performance, expiry and termination are critical.

CUSTOMS

The Gulf Cooperation Council (GCC) member countries[6] implemented a customs union on 1st January 2003. The customs union stipulates free movement of local goods within member states. A five per cent duty is imposed on most imports. Within the GCC, goods with at least 40 per cent of their value added internally are completely free of tariffs. Some 417 tariff lines (mainly food, animals and medicines) attract a zero duty rate. Each member country may also establish a list of protected goods on which they can charge duty rates of 12 or 20 per cent.

On 1st July, 2016, the GCC States started implementing (technically) the FTA between GCC States and EFTA State. It is worth knowing that the FTA is implemented as from 1 July 2015. Importers of goods originating in an EFTA State should therefore be able to claim preferential treatment in the GCC States from 1 July 2015, when using the EUR.1. In accordance with decision No. 2/2015 of the EFTA-GCC Joint Committee, exporters of goods originating in the GCC Member States may use the certificate of origin as set out in that decision and claim preferential treatment in the EFTA States on that basis.

The Department of Customs at the Ministry of Finance is in charge of evaluating all merchandise moving through Saudi customs ports. In addition, the Saudi Food & Drug Authority (SFDA) has its representative at all Saudi ports of entry with Saudi Custom officials to regulate and control the entry of medical devices[7].

Saudi customs valuation of imported merchandise is the Cost-Insurance-Freight (CIF) value. The value of exported merchandise is based on Free On Board valuation (FOB). The Saudi tariff nomenclature is consistent with the Harmonized System.

In Saudi Arabia, most basic consumer products are duty free, including the following:

- Food products, such as grains, livestock and meat, rice, tea, coffee, and sugar;
- Machinery, equipment, and raw materials imported by Saudi industrial companies and companies with a foreign investment license, hospital supplies, and electrical supplies for regional electricity companies;
- Medicine;
- Books;
- Military equipment; and
- Gold, silver, and platinum.

Likewise the other GCC States, Saudi Arabia has introduced the Sin tax on products which are treated as harmful to the society like tobacco, (alcohol is prohibited and not sold in Saudi Arabia), and soft drinks.

Since July, Saudi Arabia had imposed a unified tax of 50 percent on soft drinks and 100 percent on energy drinks and tobacco.

[4] In April 2014, the Saudi Government approved the establishment of the Saudi Centre for Commercial Arbitration
[5] They set forth in detail the rights and obligations of all parties, how and when sales commissions are to be paid, and how and in what venue any disputes are to be settled.
[6] Saudi Arabia, the United Arab Emirates, Bahrain, Kuwait, Oman, and Qatar
[7] Medical devices are only allowed entry into Saudi Arabia through the three international airports, two main seaports in Jeddah and Dammam, and three land entry points in Batha (UAE border), Hadithah (Jordanian border), and King Fahd Causeway (Bahraini border).

Saudi Arabian Department of Customs might provide more information about customs duties for goods and about the Saudi customs regulations:

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customs_dg@customs.gov.sa
www.customs.gov.sa

IMPORT AND EXPORT REGULATIONS

Saudi Arabia applies no quantitative or price restrictions for importers. Even though import procedures in the country follow standard international practice, some imports remain restricted for religious, health or security reasons. Prohibited items include alcoholic beverages, foods/goods containing or made from pork, non-medical drugs, non-Islamic religious materials, weapons and weapon-related electronic equipment. All commodities imported into Saudi Arabia for resale should be imported by Saudi nationals and wholly Saudi-owned companies, as well as to Saudi-foreign partnerships where a foreign partner can hold up 75 percent or 100 percent. Allowed companies have to be licensed by the Ministry of Commerce and Investment and registered with the Chamber of Commerce and Industry. The Saudi-foreign company has to be licensed by the Saudi Arabian General Investment Authority (SAGIA). Importers should consult the appropriate Ministry about goods or materials to be imported.

Export customs formalities and procedures are relatively simplified, especially in view of the nature of exported products. Therefore, other than antiques, Arabian horses, livestock or subsidised goods and materials, which are in short supply, most goods can be exported from Saudi Arabia. Exporters may need an industrial or an agricultural license.

Main exported products:

- Crude oil;
- Refined oil products;
- Petrochemicals and plastic goods

Main imported products:

- Capital goods (machineries);
- Manufactured products;
- Chemicals;
- Raw materials;
- Miscellaneous food products.

CURRENCY REGULATIONS

There are practically no currency exchange restrictions in Saudi Arabia. Exchange for payments abroad may be obtained freely, and there are no taxes or subsidies on purchases or sales of foreign currency. Since 1981 the Saudi Arabian Monetary Authority (SAMA), the national central bank, has chosen to peg the Saudi Riyal (SAR) to the dollar. In order to minimise exchange risks for the private sector, to facilitate long term planning and to encourage repatriation of capital from abroad, the Saudi Government has maintained the exchange rate at SAR 3.75/USD 1 since 1987.

Saudi Arabian Monetary Authority
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www.sama.gov.sa/indexe.htm

REGISTRATION PROCEDURE FOR PRODUCTS

Only Saudi citizens, registered legal corporates (e.g. Limited Liability Company) and the residents of a country that offers the same protection to Saudi national are allowed to receive a trade-mark protection. Approved trademarks are protected for a ten-year renewable period. In the case the foreign company has a contract with the government; it shall have a temporary license that expires with the accomplishment of the project. Even as the registration is pending, a foreign company might benefit of some protection for its trademark by ingoing into licensing arrangements with local traders.

Swiss companies before selling their products/services in Saudi Arabia should work through their local representative to register their trademarks with the Ministry of Commerce and Investment, copyrighted products with the Ministry of Culture and Information, and patents with King Abdulaziz City for Science and Technology (KACST: www.kacst.edu.sa/en) or the GCC Patent Office. Although these government entities are responsible for intellectual property rights (IPR) protection in their respective areas, a reported incident of piracy or infringement may not entail immediate and decisive action by the concerned government entity. Patent and trademark protection and enforcement remain cumbersome and inconsistent.

As there is no “international copyright” that automatically protect an author’s writings throughout the entire world, any foreign trademark and patent registrations will not protect foreign company/investor in Saudi Arabia.

Registration of patents and trademarks is on a first-in-time, first-in-right basis. Thus, it is widely suggested to interested companies in selling their products/services in the Saudi market to consider applying for trademark and patent protection even before vending their products/services in Saudi Arabia. It is worthy knowing that intellectual property is primarily a private right and that it is the responsibility of the rights’ holders to register, protect, and enforce their rights where applicable.

STANDARDS, TECHNICAL RULES, LABELLING REGULATIONS

1. Saudi Arabian Standards Organization (SASO)

The Saudi Arabian Standards Organization (SASO) is the competent organism to formulate national standards for all commodities and products, including standards concerned with metrology, calibration, making and identification of commodities and products, methods or sampling, and inspection and testing. SASO has about 20’500 standards, and is actively pursuing the promulgation of hundreds of new standards currently in various drafting stages of development. It is vital that Swiss exporters adhere to SASO quality standards and labeling regulations to avoid rejection of their products (electrical and mechanical) at a Saudi port of entry.

Saudi Arabia is the most influential member of the GCC States, which is striving to create a common set of food standards, with SASO as the lead agency.

Even thought, the six Member States are working toward unifying their standards and conformity assessment systems, each Member State continues to apply its own standard or a GCC standard. A new International Conformity Certification Programme[8] (ICCP) mandates that a Certificate of Conformity (CoC) must accompany all consumer goods exported to Saudi Arabia. Labelling and marking requirements are compulsory for any products exported to Saudi Arabia. Exceptions include food products, medical products

[8] The International Conformity Certification Programme (ICCP) was implemented by the Saudi Ministry of Commerce and Investment to ensure the compliance of imported products, with applicable Saudi Arabian technical regulations, (i.e. mandatory requirements). The ICCP provides the Saudi consumer with assurances that all products subject to Certification are free from the relevant hazards and risks. It is also a form of insurance, helping importers and exporters to secure swift and streamlined clearance of consignments of products, which are subjected to certification by Saudi Customs.

including medicines, medical equipment, and components/products of large industrial projects. As soon as the shipment arrives at the port of entry in Saudi Arabia, the Ministry of Commerce and SASO request the accompanying CoC. After checking the authenticity and all details, SASO will issue a letter of release.

2. Saudi Food and Drug Authority (SFDA)

SFDA is the Saudi regulatory authority for food, drugs and medical devices. It is in charge of safety of food and drug for man and animal, and safety of biological and chemical substance as well as electronic products, by developing and enforcing an appropriate regulatory system. It sets mandatory standard specifications for food, drugs and medical devices, whether they are imported or locally manufactured.

Recently, SFDA has issued new rules for the registration of medical devices. To register medical devises, the manufacturers are required to implement new barcodes for some types of devices. For now, SFDA (www.sfda.gov.sa/en*)* requires barcode data only for home-use/lay-person devices.
New barcode information must be included in Medical Device Marketing Authorization (MDMA) applications registrants submit to the SFDA prior to commercialization in the country.

TAXES

Forms of Taxation

There are different tax systems for Saudis and non-Saudis. Saudi citizens and businesses pay no tax on income and are only liable for a religious tax (Zakat, see below) of 2.5% of net worth. Non-Saudi businesses are subject to corporate income tax up to a maximum of 20% (with the exception of profits in the hydrocarbons sector, which are taxed on a sliding scale between 30% and 85%). Joint ventures between Saudis and non-Saudis are liable to tax on the non-Saudi portion of the profits[9]. There is a project to implement a value-added tax by 1st January 2018. However, there is no personal income tax yet.

Zakat (religious tax)

Religious tax, Zakat is payable only by GCC nationals (citizens and corporations) and levied on the savings value including cash, property, trade merchandise and herds of animals. The Zakat tax base is defined as the capital not invested in fixed assets or long-term investments as well as deferred pre-incorporation expenses, as adjusted by the yearly net loss or profit. Saudi companies and Saudi partners in joint venture companies pay Zakat of 2.5% annually on the net worth of their working assets.

Zakat Base calculated by taking into Owners Equity (Share Capital, Long-term liabilities, accumulated reserves, etc.) and deducting allowable assets (investments in land, fixed assets, investments in Saudi companies).

Corporate Income Tax

Corporate Income Tax is payable on the shares of income of corporations and limited liability companies pro rata to the participations of non-GCC citizens. Partnerships are treated as pass-through entities, and their participants who are not GCC citizens are therefore subject to Income Tax on their shares of the partnership income as the GCC citizens are liable for Zakat on their shares of the same income.

[9] Before interring in any local JV, the Swiss company must get more information about the taxations problem. A local tax expert might be able to help understanding how to resolve any problem relation to the taxation.

Tax Rates

The tax rates for corporate income of foreign companies are:

20%	of the Saudi Tax Base for all taxpayers (other than as follows)
30%	for a taxpayer engaged in the natural gas investment field
85%	for a taxpayer engaged in the production of oil or hydrocarbons
Any withholding that may be applicable to such taxpayers (as discussed above).	

Gross Income

The gross income consists of all gains, profits or other net income arising from business transactions carried out within Saudi Arabia. If transactions are carried out in part or in whole inside Saudi Arabia all income derived from the transactions will be considered part of the Saudi Tax Base and potentially taxable in Saudi Arabia.

Capital gains are treated as ordinary income. The same principle applies to gains derived from the sale of shares in partnerships or companies registered in Saudi Arabia. Usually, profits from sales are calculated by subtracting the re-evaluated book value (or the market price, if it is lower) of the shares from the sale price. In the case of recently established corporations sometimes only the historical book value is subtracted from the sale price. The law does not, however, prescribe any particular method.

Interest earned on capital in Saudi Arabia is considered part of gross income. The same applies to rents, licence fees or royalties for the use of patents, copyrights, secret processes, formulae, goodwill, and trademarks, etc., registered in Saudi Arabia. Dividends on shares in corporations registered in Saudi Arabia are added to gross income, unless corporate tax or Zakat has already been charged. Income derived by Saudi-resident companies from operations outside Saudi Arabia is also assessed as gross income.

Calculation of taxable income

Taxable income is calculated by reference to the audited financial statements of a company. If a foreign legal entity does not file a tax return, and/or does not submit audited financial statements any payments made to it from Saudi Arabian residents will be subject to with-holding.

Deductions

Net taxable income is calculated by deducting allowable expenses from gross income. In principle, necessary business expenses are deductible from gross income. In practice it is, nevertheless, often difficult to determine whether or not certain expenses are deductible. Numerous decisions of the Department of Zakat and Income Tax (DZIT) and rulings of the Preliminary Tax Appeal Committee (PTAC) and the Appellate Committee for Zakat and Tax Appeals (ACZTA) have been issued on the subject.

Salaries and wages are considered ordinary business expenses and are thus deductible from gross income. The DZIT requires companies to provide detailed payroll information with their tax returns. Social security contributions are deductible only to the extent of the employer's share, as are contributions to certain pension funds operated in Saudi Arabia are deductible. Agency fees paid by a foreign company are also deductible, subject to certain conditions and restrictions.

As a general rule, provisions and termination benefits are not deductible, except for employment termination benefits required by the labour law. Administrative costs incurred by the head office of a company outside Saudi Arabia are not deductible, with the exception of technical costs directly related to business activities in Saudi Arabia.

Depreciation

Assets of a company may be written off within the limits of depreciation rates established by the DZIT, which accept accelerated depreciation of certain equipment, such as computers subject to the depreciation allowances and schedules set forth in the Income Tax Law.

Losses

The Council of Ministers' Resolution No. 3 of 1422 H. (2001 G) allows losses to be carried forward indefinitely. In return, the former exemption periods ('tax holidays') for joint-venture investment projects (5 or 10 years depending on the nature of the project) have been terminated.

Tax exemptions

Under the tax system, tax guarantees or incentives are rare. Certain foreign entities may be exempted from the Corporate Income Tax by Royal Decree. Saudi Arabia does not currently have duty-free import zones or free ports, but does permit transhipment of goods through its ports in Jeddah and Dammam. Saudi Arabia is a member of the Gulf Cooperation Council, which confers special trade and investment privileges within the six member states. Saudi Arabia is also a member of the Arab League, which agreed to negotiate an Arab free-trade zone.

COMMERCIAL LAW

Saudi Arabia has a written and consistently applied commercial law, which is a unique legal system. The country has been changing its commercial and economic laws over the past few years to comply with the World Trade Organisation (WTO) rules. Where it has been noticeable and where it has had the greatest effect so far is in the distribution, telecommunication, banking and insurance sectors. Foreign companies investing in Saudi Arabia should include a foreign arbitration clause in contracts, which is not allowed in government contracts without the Saudi Council of Ministers' approval. Any payment disputes between the contractor and the government will be resolved by the Saudi Board of Grievances.

Therefore, references to rules of foreign law, in contracts, should be avoided. Instead, all issues should be expressly regulated in the contract, and particular attention should be paid to ensuring the conformity of each provision with Shari'a law.

The Committees for Labour Disputes (Ministry of Labour) has jurisdiction over disputes between foreign companies and private individuals. Disputes involving letters of credit and checks are arbitrated by the Ministry of Finance, while disputes between bankers and their clients are adjudicated by the Banking Disputes Committee of the Saudi Arabian Monetary Agency (SAMA). Saudi Arabia signed various international arbitration agreements, such as the Agreement on the Reciprocal Enforcement of Judgments among the Members of the League of Arab States and the Washington Convention on the Settlement of Investment Disputes.

SETTING UP COMPANIES

Before establishing its presence in Saudi Arabia, a Swiss company should develop a basic understanding of the laws governing its businesses. It is crucial to know how to resolve legal disputes. In Saudi Arabia, most businesses require special license from the government, the investment or employment of Saudi citizens. Generally, the type of the license depends on a variety of factors including:

- The business category; and
- The duration of the involvement, and the nature of the transactions.

Foreign company can undertake business activities in Saudi Arabia either through:

- Establishing an incorporated entity (trading, industrial and services);
- Entering into a partnership;

- Establishing a branch office;
- Establishing a representative office; and
- Engaging a service agent.

Foreign companies investing in Saudi Arabia can benefit from:

- Subsidised industrial land, housing and utilities;
- Subsidies for training Saudi employees and other forms of assistance for partially foreign owned Saudi businesses;
- Export assistance for locally manufactured products; and
- Public procurement preference for majority Saudi owned joint venture companies.

Appointing an agent or a distributor

Foreign companies are not required to appoint a local Saudi agent or distributor to sell to Saudi companies. Nevertheless, Saudi commercial regulations restrict importing for resale and direct commercial marketing within Saudi Arabia to the following:

- Saudi nationals and wholly Saudi-owned companies;
- Saudi-foreign partnerships and where the foreign partner owns up to 75 percent equity;
- Foreign companies licensed to do 100 percent trading; and
- Citizens from the Gulf Cooperation Council (GCC) States[10].

Agent/distributor relations are governed by the Saudi Commercial Agency Regulations; and the termination of an agent/distributor agreement might be difficult even though Saudi trade regulations have changed to allow registration of a new agreement over the objections of the existing distributor.

Thus, it is recommended not to appoint a local agent/distributor before a trial period (2-5 years). The local agent/distributor should be registered with the Ministry of Commerce and Investment and with the local Chamber of Commerce and Industry.

As the Saudi law is based on the Islamic Shari'a and differs considerably from occidental practice, consulting with a local law firm is a must before contemplating a distribution or an agency agreement.

Establishing an Office (Sciences &Technical Office)

a. The most common and direct method of establishing an office is appointing an agent/distributor, who sets up the office under its own commercial registry. The agent/distributor agreement should be registered with the Ministry of Commerce and Investment.

b. A foreign company might also establish a technical and scientific service office. Nevertheless, technical and scientific service offices (TSO) are not allowed to engage directly or indirectly in commercial activities, but they may provide technical and advisory support to Saudi distributors as well as conduct market surveys and product research. The TSO license has to be issued by SAGIA on the basis of a non-objection letter issued by the local agent/distributor.

c. A foreign company might do its business in Saudi Arabia through a branch office. Under the new Foreign Investment Law (2001), foreign companies are allowed to set up a wholly foreign-owned Saudi branch office. However, foreign companies that are awarded government contracts must obtain a temporary commercial registration from the Ministry of Commerce and Investment, before proceeding to establish a branch office.

d. Are allowed to establish an office in Saudi Arabia, companies that have multiple contracts with the Government and need a local office to oversee contract implementation. Nonetheless, representative offices are not authorised to be involved in direct or indirect commercial activity in the country.

[10] Saudi Arabia, the United Arab Emirates, Kuwait, Qatar, Oman and Bahrain

JOINT VENTURE OPPORTUNITIES

A foreign company may do business in Saudi Arabia through a joint venture with a Saudi (or a GCC) company. The joint venture agreement must also be registered with the Ministry of Commerce and Investment. According to the available legal recommendations, the partners' liabilities must be limited to the extent of their investment in the partnership.

It is important to note that the Companies Law is the principal body of legislation governing companies. Limited Liability Company (LLC) is the most commonly structure used by foreign investors in Saudi Arabia, because it is easy to establish and administer and the personal liability of each of the partners is limited to the individual partner's contribution to the company's share capital.

Further information about the foreign investment in Saudi Arabia may be obtained from the Investors Service Centre (ISC) at the Saudi Arabian General Investment Authority (SAGIA/ www.sagia.gov.sa). ISC oversees all subjects related to a foreign investor licensing and registration process. The Foreign Investment law reduced the corporate tax rate for foreign companies, with profits in excess of USD 26'000.00 a year, from 45 to 20 percent and allows companies to carry forward corporate losses for an unspecified number of years.

ENTRY CONDITIONS, WORK PERMITS, RESIDENCE PERMITS, LABOUR LAW

i. Business visa

Passports valid for at least six months and visas are required for entry in Saudi Arabia. Visas are issued for business and work, to visit close relatives, and religious[11] visits (Hajj and Omra). Visas for tourism are issued only for approved tour groups following organised itineraries. Business visa must be obtained prior to arrival. Recently, Saudi authorities stopped to refuse stamping a Saudi visa on passports reflected travel to Israel or indicated that owners were born in Israel (however, foreigners continue to avoid chowing any connection with Israel).

ii. Working visa

To take up employment or residence in Saudi Arabia, foreigners, except GCC citizens must have a sponsor. Only the local sponsor or a company registered in Saudi Arabia; is allowed to apply for the work permit. The application is submitted to the Ministry of Labour, which verifies that the foreign national is required for the work. Upon approval, the Ministry of Labour forwards the application to the Ministry of Interior (Directorate General for Passport) who is responsible for approving the residence permit (Iqama). Generally, except nurses and teachers, women are not eligible for work permits (with some exception for women consultants who work directly with government entities). In addition, all work permit beneficiaries must be at least twenty-two years old. The work permits are issued for a maximum period of two years and may be renewable. A medical report or physical examination is required to obtain work and residence permits.

Swiss entering Saudi Arabia on visitor visas normally do not need an exit permit but may be prevented from departing the country if they are involved in a legal dispute. Foreigners involved in labour disputes or employment dismissal will not be granted an exit permit prior to court resolution or abandonment of the case. Saudi sponsors have substantial influence in the negotiations and may block departure or bar future employment in the country.

Residents in Saudi Arabia who are departing the country must obtain an exit permit prior to leaving and an exit/re-entry permit if they intend to return to Saudi Arabia. The Saudi sponsor's approval is required for such permits.

To get a business visa, ladies[12] need to be accompanied by a relative, to take part in a delegation or to obtain an invitation through the Saudi Ministry of Foreign Affairs.

[11] Limited only to Muslims
[12] Exception for nurses and maids

The holder of a business visa is not allowed to work or to reside in Saudi Arabia. Visitors must abide by the Saudi laws and regulations and respect its society's values and traditions.

PROCEDURES FOR COLLECTING PAYMENT

Most Saudi imports are received on the basis of an irrevocable letter of credit (L/C), although other arrangements such as open account, cash in advance and documentary collection are also permitted. Swiss companies are advised to export on the basis of a confirmed L/C or of advance payment.

If the Saudi partner opts and insists on credit terms, this can be handled through an issuance of up to certain credit term. Typical turnaround time in local credit transactions ranges from three to four months. As interest is not enforceable under Islamic Shari'a Law (regardless of the contract document), a Saudi agent has no incentive to pay on time. Nevertheless, the letter of credit is generally an acceptable method of payment by Saudi importers.
During progress on the project, a foreign company working under a Saudi Government contract may receive payments in advance and upon completion of the project. Generally, the Government advance up to ten percent of the contract price if the contractor provides a bank guarantee for the full amount of the advance payment. The guarantee can be reduced as the project progresses.

Delayed payments are an important concern for affected foreign companies. It happens that some companies carried Saudi Government receivables for years before being paid. The Government appears committed to clearing remaining arrears, but the problem persists. Swiss companies should be prepared for such kind of problems.

SOURCES OF INFORMATION AND LINKS

- MEED (www.meed.com)
- NOOZZ (www.noozz.com/ksa)
- Saudi Arabian General Investment Authority (www.sagia.org.sa)
- Saudi Commercial and Economic Review (www.chamber.org.sa)
- Zawiya (www.zawya.com)
- Arabian Business (www.arabianbusiness.com)
- World Bank Group (http://www.doingbusiness.org/data/exploreeconomies/saudi-arabia/~/media/giawb/doing%20business/documents/profiles/country/SAU.pdf)
- Saudi Gazette (www.saudigazette.com)
- Arab News (www.arabnews.com)
- Stander Tarde (https://en.hub.santandertrade.com/)
- Saudi Customs (www.customs.gov.sa)
- KPMG (www.kpmg.com.sa)
- Clyde & Co (www.clydeco.com)

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