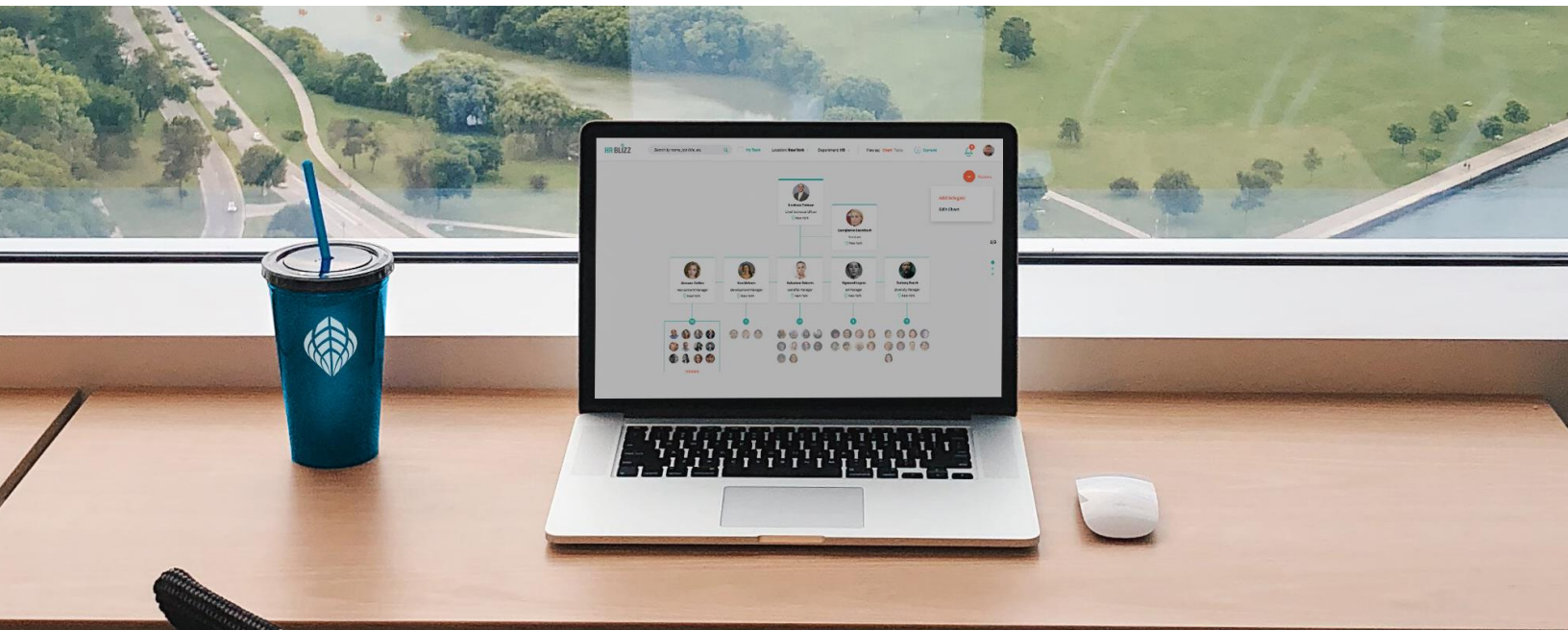




Simplifying Employment
Tasks Worldwide

Saudi Arabia Payroll & Tax Highlights

2020 Global Payroll Country Guide for Saudi Arabia



KINGDOM OF SAUDI ARABIA



March 11, 2020



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| 140+ Countries | 20 Years of Success | 500+ Specialists |
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Saudi Arabia – consistent growth in non-oil activity.

The Saudi economy, the largest in the Arab world, has suffered in recent years because of low oil prices and austerity measures aimed at reducing a budget deficit. The economy remains dominated by hydrocarbon revenues despite Crown Prince Mohammed bin Salman’s assertion that he aims to diversify it.

Looking out into 2020, it is expected the overall GDP to rise by 2.1 percent. Although oil sector GDP growth is likely to be muted, there is progress under various Vision Realization Programs (VRPs) directly contributing to growth in numerous sectors

Firming oil prices have enabled the government to produce two record-breaking budgets for 2018 and 2019, and the private sector is poised to benefit as the projects outlined in the nation’s ambitious development strategy begin to take shape with its help.

Saudi Arabia’s long-term goal of securing enough private investment to shift the nation’s primary engine of growth away from state spending, however, remains a work in progress.

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Doing Business in Saudi Arabia

Entity Registration & Incorporation Requirements

Options to conduct business in the Kingdom of Saudi Arabia (KSA) depend upon, among other things, the foreign investor's business goals and the types of activities that the foreign investor wishes to undertake locally. Business structuring options may range from establishing a distinct legal entity to entering into a distribution or a commercial agency agreement with a local partner.

Generally, in order to conduct business legally on the ground in KSA, an investor must have a legal presence locally. Once established, the corporate entity may only conduct activities in accordance with the terms of its foreign investment license, issued by the Saudi Arabian General Investment Authority ("SAGIA"), and its commercial registration certificate, issued by the Saudi Ministry of Commerce and Investment ("MOCI").

Foreign companies wishing to establish a legal presence in KSA may choose to establish a corporate entity in the form of a branch office ("Branch"), a Scientific and Technical Offices ("Scientific Offices"), a limited liability company ("LLC"), or a joint stock company ("JSC"). The choice of entity will depend on the foreign investor's business goals and the types of activities that the foreign investor wishes to undertake.

Entity options are discussed briefly below.

Branch

Wholly foreign-owned entities may establish branch offices in KSA. Certain conditions must be met before a foreign investment license will be issued by SAGIA.

Scientific Offices

Scientific offices are permitted to conduct market surveys, undertake product research, and provide scientific and technical services support for their products to agents, distributors and consumers of their products. However, they are prohibited from directly or indirectly engaging in commercial activities in KSA, including sales.

Limited Liability Company ("LLC")

An LLC is a company with limited liability where the number of shareholders must not exceed 50. Each shareholder is only liable to the extent of the paid up value of his share in the capital (subject to Islamic Law provisions regarding limitation of liability). Such companies cannot deal in insurance or financial operations and are required to set aside a statutory reserve of net annual profits. One hundred percent foreign ownership is available in certain sectors as directed by SAGIA.



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Joint Stock Company (“JSC”)

A JSC must be owned by two or more individuals or entities. Capital is apportioned into negotiable shares of an equal amount and shareholders are liable only to the extent of the paid up value of their shareholdings. The minimum capital requirement is 500,000 Saudi Riyals. The issued paid-up capital upon incorporation must be not less than 50 percent of the authorized capital. A JSC is permitted to issue non-voting preferential shares in an amount up to 50 percent of the authorized capital. Prospective JSCs involving businesses such as minerals exploitation, administration of public utilities, banking and finance, and insurance require authorization by Royal Decree prior to incorporation. The management of a JSC is composed of a board of directors. This board, appointed by the shareholders, must have a minimum of three members.

Commercial Agencies

Commercial agency and distributorship arrangements are regulated by the Law of Commercial Agencies supplemented by the related Executive Regulations (together the “Agency Law”).

The Agency Law is primarily concerned with mandatory registration procedures and the penalties resulting from non-compliance with these procedures. The Agency Law also contains provisions concerning the relationship between the principal and the agent, primarily intended to secure the interests of the consumers.

The Agency Law does not differentiate between the terms “agent” or “distributor” in terms of legal status, but governs the relationship between any Saudi entity which enters into an agreement with a foreign producer to perform commercial activities, whether as an agent or as a distributor in any manner for a certain profit, commission or other benefit of any other kind. The meaning of “commercial activities” includes the purchase of goods or produce for resale either directly or after manufacture or processing.

Key consideration related to the most common legal entity structures have been summarized below:

| Area | LLC | JSC | Branch | Scientific Office |
|------------------------------|--|---|---|---|
| Ownership | Joint venture or wholly foreign owned | Joint venture or wholly foreign owned | Wholly foreign owned | Wholly foreign owned |
| Separate legal entity | Yes | Yes | No | No |
| Limited liability | Yes | Yes | No Not a separate entity | No Not a separate entity |
| Management control | Subject to proportion of shareholders’ equity ownership; supervisory | Complete managerial and operational control | Complete managerial and operational control | Complete managerial and operational control |



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| | | | | |
|-----------------------------------|--|---|--|---|
| | board required if more than 20 members | | | |
| Profit-sharing | In proportion to equity contributions | As set out in Articles of Association or a shareholders' agreement | Repatriation to parent company | Set up to support the parent company; technically, therefore, not profit-making |
| Capital recovery | Yes, upon dissolution or the sale of shares | Yes, unless company is considered a founding shareholder, in which case it must wait a minimum of two years before it can recover its capital | Not applicable | Not applicable |
| Ease of establishment | Moderately easy | Moderately easy | Moderately easy | Easy |
| Minimum capital investment | No specified minimum but depending on the kind of company license (typically SAR 500k) | From SAR2m | No specified minimum but this depends on the kind of company license | None |

The documents required for the incorporation of most common legal entity types are summarized below:

| Area | LLC | JSC | Branch | Scientific Office |
|---|-----|-----|--------|-------------------|
| A completed Investment License Application Form | Yes | Yes | Yes | Yes |
| Two (2) personal photos of the General Manager (“GM”) | | Yes | Yes | Yes |
| A copy of the GM’s passport | Yes | Yes | Yes | Yes |
| A resolution from the parent company’s Board of Directors confirming their willingness to invest in the KSA and indicating the names of the shareholders, the capital, each shareholder’s share in the capital, the activity to be carried out, and nominating the GM, to be attested by the competent authorities and the Saudi Consulate in the company’s home country | Yes | Yes | Yes | Yes |
| A copy of the applicant’s Commercial Registration/Certificate of Incorporation (or that of the parent company in its country of incorporation in the case of a Branch, a TCR or TSSO) attested by the competent authorities and the Saudi Consulate in the company’s home country | Yes | Yes | Yes | Yes |
| A copy of the applicant’s Memorandum of Association (or the parent company’s Memorandum of Association in its country of incorporation in the case of a Branch, a TCR or TSSO) attested by the competent authorities and the Saudi Consulate in the company’s home country | Yes | Yes | Yes | Yes |
| If the intended activity requires the approval of another KSA body (as will be the case with financial services, insurance, media, tourism, health or education), preliminary approval rendered by the concerned KSA ministry | Yes | Yes | | |
| A copy of the trade name reservation in case they wish to obtain a trade name for the company | Yes | Yes | | |
| A power of attorney for a law firm or service rendering office who is approved to complete and finalise all the documentation for the set-up, attested by the Saudi Consulate in the home country | Yes | Yes | Yes | Yes |
| Last 3 year audited financial statements for the shareholders or parent company | Yes | Yes | | |
| Payment of licence fees in the amount of SAR 2,000 for the new licence | Yes | Yes | Yes | Yes |



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| | |
|---|-----|
| Evidence that the parent company is an industrial company, indicating the number of technical staff required for such office | Yes |
| A copy of the Commercial Agency Agreement of the Saudi Agent | Yes |
| A no objection letter from the Saudi Agent for opening a TSSO to render scientific and technical services to clients of the company, attested by the Chamber of Commerce | Yes |
| A copy of the Letter of Award or the contract for the execution of the project signed by the concerned government authorities | Yes |

Incorporation Process

The general incorporation steps, which vary based on the legal entity type, have been outlined below:

- Prepare documents including legalization by the Saudi Consulate.
- Submit application to the Saudi Arabian General Investment Authority (SAGIA) and obtain an investment license.
- Obtain agreement from the Companies Department at the Ministry of Commerce and Industry after submitting the Articles of Association and the company name.
- Sign the Articles of Association in front of a Notary Public.
- Publication of the company name and a summary of the Articles of Association in the official gazette.
- Open a Bank Account, Transfer the Share Capital and Obtain a Certificate stating that the capital has been deposited.
- Register with the General Department of Passports, Ministry of Interior and the Ministry of Labor and obtain a work visa for the company manager.
- Company manager getting his visa stamped at the Saudi consulate and obtaining his Work Permit and Residence Permit upon arrival in Saudi Arabia.
- Registrations with the Commercial Registry at the Ministry of Commerce and Industry and the Chamber of Commerce.
- Obtain a File Number and Certificate of Business commencement by registering with the Department of Zakat and Income Tax (DZIT), Ministry of Finance.
- Register with the General Organisation of Social Insurance (GOSI).

Registration with the Ministry of Labor (MOL)

In order to register with the MOL, the company must submit its Commercial Registration certificate, articles of association, Chamber of Commerce-attested signatories and business location license. Registration with the MOL is needed to register with the General Organization for Social Insurance.

Registration with the General Organization for Social Insurance (GOSI)



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To register for social security insurance, the employer must open a file with the GOSI. This can be done partially online as follows:

- The employer visits GOSI's website, completes an application and provides the company's MOL number. He or she then prints the application and submits it to GOSI in person to complete the registration.
- The application must be stamped with a company seal. In addition, the location of the entity (business location license) and the designation of the authorized person to represent the company before GOSI must be included.
- Upon attendance in person at GOSI, the ID of the authorized person is validated and checked, and a username and password is then issued to the company. The GOSI Certificate is also issued and can be collected on-site. The number that GOSI gives the employer is different from his or her MOL number. The employer enters their username and password (GOSI's website), and registers the employees with their IDs, wages, occupations, nationalities, date of commencement and location.

Accounting and Reporting

Legal entities in Saudi Arabia are required to submit financial statements audited in accordance with the requirements of the International Financial Reporting Standards (IFRS) on an annual basis to the authorities. Entities subject to VAT registration, must submit either quarterly or monthly VAT returns to the General Office of Zakat & Tax (GAZT).

Banking

It is mandatory to have an in-country bank account to process payments in Saudi Arabia. All government levies must be paid through a government payment channel SADAD. SADAD payments can only be initiated from Saudi Arabia based bank accounts.

All entities with more than 10 employees are required to process their payroll payments through Wage Protection System (WPS).

Bank lending consists mainly of trade and medium-term investment finance. Banking operations in the Kingdom are regulated by the Saudi Arabian Banking Control Law and are supervised by the Saudi Arabian Monetary Agency (SAMA).

In general, banks are open from 8 am to 1 pm, Saturdays to Wednesdays, when many banks re-open in the afternoon from 4.30 to 6.30 pm. On Thursdays, opening hours are usually 8 am to noon, and banks (like other businesses) are closed on Fridays.

Working Week

The typical working week in Saudi Arabia is Sunday to Thursday from 9am to 6pm. Friday is the only official weekend day and Saturday is often a working day for the construction and service industries.

The number of legal working hours in a week in Saudi Arabia should not be more than 48 hours and number of hours in a day should not be more than eight hours. However, Friday is generally not considered as a working day in the country. During the Ramadan month, employees are expected at



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their workplace for only six hours a day and 36 hours in a week. These hours do not include their lunch, rest and prayer times. If the employee is asked to work during weekends, they will be eligible for double daily wages. In case of overtime, the employer shall pay the employee an additional amount equal to the hourly wage plus 50% of their basic wage.

The working hour's related regulations have been summarized below:

| Area | Regular Employee | Shift Employee | Female Employee |
|---|---|---|---|
| Workdays(1) | Saturday – Thursday (Friday is the only official weekend day). | | Workdays(1) |
| Weekly Regular Working Hours(1) | Daily Criterion – 8 hours/day | Weekly Regular Working Hours(1) | Daily Criterion – 8 hours/day |
| Breaks | Min 30 minutes every 5 hours (not part of the working hours i.e. unpaid – employee may not be required to stay at their workplace)(4) | Min 30 minutes every 5 hours (not part of the working hours i.e. unpaid – employee may not be required to stay at their workplace)(4) | 1 hour for nursing mothers (paid break) |
| Max Stay at the Workplace | 12 hours per day | 12 hours per day | |
| Ramadan Working Hours (1) | Daily Criterion – 6 hours/day | Ramadan Working Hours (1) | Daily Criterion – 6 hours/day |
| Total Maximum Working Hours (Regular + Overtime) | 10 hours per day | Total Maximum Working Hours (Regular + Overtime) | 10 hours per day |
| Public Holidays (5) | 4 days – Eid al-Fitr | Public Holidays (1) | 4 days – Eid al-Fitr |

Notes:

1. Discussions are ongoing for the changes of the weekly working hours to 40 hours. Does not apply to managerial level employees, guard, janitors, if required on a short-term basis, job must be completed immediately before or after normal working hours. During inventory, month or year-end closing (max 30 day/year), emergencies, etc.
2. Most common approach
3. With the approval of MOL, number of working hours may be increased to more than eight hours a day to forty eight hours a week, provided that the average working hours in three weeks' time shall not be more or less than eight hours a day or forty eight hours a week.
4. With approval of MOL, this requirement may be waived. The break is scheduled by the company.



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5. In accordance to the labor law, public holidays are not extended if they fall on a weekend day. However, most companies provide a replacement day.



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Basic Facts

| | |
|-----------------------------------|---|
| Official State Name | Kingdom Of Saudi Arabia |
| Population | 34.2 million |
| Capital | Riyadh |
| Major Languages | Arabic |
| Currency | Saudi Riyal (SAR) |
| Main Industries | Petroleum and gas |
| GDP Growth | 0.5% (2019) |
| Internet Domain | .sa |
| International Dialing Code | +966 |
| Dates & Numbers | Dates are usually written in the dd/mm/yyyy format. |



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Tax & Social Security

Registration with the General Authority of Zakat and Tax (GAZT)

Zakat, a religious wealth tax, is assessed on the basis of taxable income and certain assets. To register with the GAZT, the employer should visit the GAZT website and complete an online application, attaching the Commercial Registration certificate, Articles of Association of the company, details of the shareholders of the company, a copy of the capital deposit certificate from a bank for Saudi companies, and the details of the authorized person or signatory of the company. The authorized signatures must be certified by the Chamber of Commerce. Then, the employer receives a unique ID number. The Certificate of Zakat will be issued and sent by mail and email within two to three days. This certificate is needed for the company to participate in tender offers and government contracts, among others.

Corporate Income Tax

Only non-Saudi investors are liable for income tax in Saudi Arabia. In most cases, Saudi citizen investors (and citizens of the GCC countries, who are considered to be Saudi citizens for Saudi tax purposes) are liable for Zakat, an Islamic assessment. Where a company is owned by both Saudi and non-Saudi interests, the portion of taxable income attributable to the non-Saudi interest is subject to income tax, and the Saudi share goes into the basis on which Zakat is assessed.

According to the income tax law, the following persons are subject to income tax:

- A resident capital company with respect to shares owned either directly or indirectly by persons operating in oil and hydrocarbon production.
- A resident non-Saudi natural person who carries on activities in Saudi Arabia.
- A non-resident person who carries out activities in Saudi Arabia through a PE.
- A non-resident person who has other income subject to tax from sources within Saudi Arabia without having a PE.
- A person engaged in natural gas investment fields.
- A person engaged in oil and other hydrocarbon production.
- The rate of income tax is 20% of the net adjusted profits. WHT rates are between 5% and 20%. Zakat is charged on the company's Zakat base at 2.5%. Zakat base represents the net worth of the entity as calculated for Zakat purposes.

It should be noted that, although the income tax rate is 20%, income from the following two activities is subject to different rates:

Income from oil and hydrocarbon production is subject to tax at a rate ranging from 50% to 85%. The tax base of a person who works in natural gas investment should be independent of the tax base relating to other activities of this person.



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Effective 1 January 2018, the income tax legislation was amended to repeal the NGIT provisions; natural gas investment should be taxed under the general provisions of the income tax legislation (including being subject to the general income tax rate of 20%).

There are no local, state, or provincial government taxes on income other than the regular income tax or Zakat as mentioned above.

A company is considered a resident company if it is formed under the Saudi Arabian Regulations for Companies or if its central management is located in Saudi Arabia.

Permanent establishment (PE)

According to the Saudi tax regulations, the following are the requirements for considering a non-resident party to have a PE:

- A PE of a non-resident in Saudi Arabia, unless otherwise provided below, consists of the permanent place of activity of the non-resident through which one carries out business, in full or in part, including business carried out through an agent.
- The following are considered a PE:
 - Construction sites, assembly facilities, and the exercise of related supervisory activities.
 - Installations or sites used for surveying for natural resources, drilling equipment, or ships used for surveying for natural resources, and the exercise of related supervisory activities.
 - A fixed location where a non-resident natural person carries out business.
 - A branch of a non-resident company that is licensed to carry out business in Saudi Arabia.
- A place is not considered a PE of a non-resident in Saudi Arabia if it is used in Saudi Arabia only to do the following:
 - Store, display, or deliver goods or products belonging to the non-resident.
 - Keep an inventory of goods or products belonging to the non-resident only for the purposes of processing by another person.
 - Purchase goods or products only for the collection of information for the non-resident.
 - Perform any other activities that are preparatory or auxiliary in nature for the interests of the non-resident.
 - Prepare contracts relating to loans, supply of products, or perform technical services for signature.
 - Execute any group of the activities mentioned above.
- A non-resident partner in a resident personal company is considered an owner to a PE in Saudi Arabia in the form of a share in a personal company.

Furthermore, the agent mentioned in the above article is identified as a dependent agent who has any of the following authorities:

- Negotiate on behalf of a non-resident.
- Conclude contracts on behalf of a non-resident.



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- Has a stock of goods, owned by a non-resident, on hand in Saudi Arabia to supply the clients' demands regularly on behalf of the non-resident.
- A place from which a non-resident carries out insurance and/or reinsurance activity in Saudi Arabia through an agent is considered a PE of the non-resident even though the agent is not authorized to negotiate and conclude contracts on behalf of the non-resident.

Personal Income Tax

Since there is no individual income tax regime in Saudi Arabia, earnings from employment are not subject to income tax. Only the social insurance tax (see below) is applied on the payroll.



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Social Security

The social insurance tax is paid monthly on the basis of the monthly basic salary plus housing allowance. Employers must pay 2% of the Employee's wage to GOSI for all employees. This is to cover injuries sustained through occupational hazards.

In addition to the 2% employer GOSI contribution, all Saudi national employees are subject to 9% employee and 9% employer annuities contributions and 1% employee & 1% employer unemployment insurance contributions which fall under GOSI. Also, the contribution would not be applicable on earnings greater than SAR 45,000 per month.

When an employee is provided with housing and no allowance is mentioned, the contributory value is equivalent to 2 month basic salary or 16.67% x Basic Salary.

The contribution under Occupational Hazard relates to both Saudi and Non Saudi nationals, and is paid by the employer only through SADAD system.

Reporting

The tax year is the calendar year.

Starters and leavers, as well as current employees' salary changes, have to registered with GOSI during the month they join or leave the company.

Wage Protection System (WPS)

WPS regulations were introduced to ensure, that all employers pay their employees on-time and fully. The WPS process allows the MOL to centrally and electronically monitor in real time the salary payments of the participating employers and take enforcement actions if the salary payments are not made in accordance with the Labor Law and employment agreements.

Currently, the employers with more than 20 employees are required to process all of their salary payments through the WPS system. For this, the employer has to complete the following actions:

- Complete the legal entity registration process in Saudi Arabia, including the registration with the Ministry of Labor;
- Activate the online MOL portal for uploading the WPS files;
- Open a corporate bank account in Saudi Arabia and activate the WPS services by signing a respective agreement with their bank;
- Generate the WPS files in the format mandated by the bank;
- Ensure that all employees have been registered with the General Organization of Social Insurance (GOSI);
- Confirm that all employees have opened local Saudi riyal denominated bank accounts.

The objective of the WPS process is to monitor the salary payments by the employers and ensure, that all employees receive their full salaries. In order to accomplish this objective, the employers are required to comply with the following WPS processing steps on a monthly basis:



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- Complete the payroll calculations, which match the salary information provided to the GOSI when registering the employees with GOSI;
- Generate electronic WPS files in the format prescribed by the company's bank in Saudi Arabia;
- Upload the WPS file(s) to the designated online portal of the bank. The WPS file(s) will be used by the bank to execute the salary payments to the employees. Multiple WPS files may be processed by the employer during any month, provided that the WPS files include different groups of employees;
- Download digitally signed copies of the WPS files after the execution of the salary payments by the bank;
- Upload the digitally signed WPS files to the MOL portal;
- Ensure that the uploaded WPS files are successfully accepted by the MOL.

The MOL records all salary payments made by employers and compares these amounts with the information provided by the employers when registering their employees with GOSI. During this process the MOL completes the following verifications:

- Verifies that all employees registered in GOSI are also included in the WPS files and that the WPS files do not include any other employees;
- The basic salaries and housing allowances reported by the employers in the WPS files are matched with the information reported to GOSI;
- Employees are paid on time; i.e. not more than 7 days from the respective month-end.

Since the WPS process is fairly new and the reporting requirements have not been clearly defined or communicated, there are a number of common issues experienced by the employers, which may lead to inadvertent non-compliance with the WPS process requirements. Some of the most common issues have been summarized below:

- Not all the employees registered in GOSI are included in the WPS files. This may include the following scenarios:
 - Starters – employees who started after the payroll cutoff date and were not included in the regular payroll cycle. The salaries for these employees should be processed through off-cycle payrolls, with separate WPS files being generated for the off-cycle payments.
 - Leavers – employees who have left the company must be deregistered from GOSI before the monthly payroll is processed.
- Deductions – The MOL monitors the amount of salaries paid through the WPS and compares these amounts with the basic salaries and housing allowance provided to GOSI. Ensure that the maximum deviation between these amounts is less than 20%.
- Unpaid Leaves – The WPS process does not accommodate unpaid leaves very well. The unpaid leaves reduce basic salaries and housing allowances amounts paid to the employees and any deviations are automatically treated as underpayments of salaries. Therefore, the employers need to ensure that the total unpaid leave deductions do not exceed 20% of the affected employees' salaries during any month.
- Local Bank Accounts – employees cannot be paid to non-Saudi bank accounts. All salary payments must be made in Saudi riyals to the local accounts.



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Employers should ensure that they avoid these common pitfalls when processing salaries through the WPS process.

The MOL is actively monitoring and enforcing the compliance with the WPS processes. In case of non-compliance, the MOL services will be suspended until the company processes all salary payments in conformity with the WPS requirements. This means, that the employers need to ensure their full compliance with the WPS regulations to avoid any unexpected gaps in their MOL services, including Iqama transfers, renewals, etc.



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Payroll

Payroll requirements are governed by Saudi Labor Law. There is no specific guidance for payslips, however, in general practice, payslips are released to employees monthly. Payments are controlled through the Wage Protection System (WPS). The employer will have to transfer salary payments via WPS within two weeks of their due date, or on the dates specified in the work contract if such salary or wages are paid more frequently than monthly. It is mandatory to have a local employment contract and salary transfer in Saudi riyals.

Both Saudi nationals and expats have to register with the MOL. Expats do not pay social security insurance, only the employer pays 2%. Saudi national employees and the employer have to contribute equally for social security insurance.

If the employee moves to another firm, the employee's name has to be removed from the MOL and GOSI. However, the GOSI number remains the same.

Sample Payslip

 **MERCANS** EMPLOYEE PAYSIP

REF-P00-293

| | | | |
|-------------------------|-------------------------|-----------------------------|----------|
| Employer | | TRANSFERABLE AMOUNT: | |
| Employer address | | SAR | 3,500.00 |
| Country | Saudi Arabia | | |
| Pay Period | 01-09-2017 - 30-09-2017 | | |

| | | | |
|--------------------------|---------------|-----------------------|------------|
| Employee name | | Email | |
| Employee ID | MCR005 | Hire date | 2017-01-01 |
| Employee Position | HR Consultant | Payment Method | WPS |

| Summary | | | |
|--------------|--------------|------------|----------|
| Pay currency | Entitlements | Deductions | Net pay |
| SAR | 3,800.00 | 300.00 | 3,500.00 |

| Details | | | | | |
|--------------------------|----------|----------|----------------------------|--------|----------|
| Entitlements | Amount | Currency | Deductions | Amount | Currency |
| Basic Salary | 2,000.00 | SAR | Social Security (employee) | 300.00 | SAR |
| Housing allowance | 1,000.00 | SAR | | | |
| Transportation Allowance | 800.00 | SAR | | | |

| Banking details | | | | | |
|-----------------|-------|------------------|-------------|------------------|---------|
| Bank name | SWIFT | Beneficiary name | Acc. number | Account currency | Type |
| Al Rajhi Bank | | | | SAR | Primary |

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Employment Law

Labor matters in KSA are governed by Labor Law and its Implementing Regulations issued by the Ministry of Labor. Generally, the Labor Law applies to all staff and employees working in KSA, whether KSA nationals or expatriates. It is essential for any company wishing to establish a legal entity in KSA to consider key employment issues, such as visas, secondment of employees and locally compliant employment contracts. It is generally more difficult to attain visas for female expatriate employees.

The Ministry of Labor also requires legal entities to comply with its 'Nitaqat' system, which aims to deal with national unemployment concerns by amending the existing Saudization system. The previous requirement of a 30 percent Saudi workforce has been replaced with minimum Saudization requirements that are based on an updated set of categories of workplace activity and size of workforce. The exact level of Saudization for each legal entity is calculated by the Ministry of Labor accordingly.

Leaves

The statutory leaves for Saudi Arabia have been summarized in the below table:

| Leave Type | Eligibility | Compensation | Leave Duration |
|--|---|----------------------------|--|
| Annual Leave | <ul style="list-style-type: none"> • Completion of probationary period • Employer approval required – 30 days advance notice • No carry-forward by employee; max grace period for the employer 90 days | Paid | Year 1-5 - 21 calendar days Year 5+ - 30 calendar days |
| Sick Leave | <ul style="list-style-type: none"> • Doctor's notice | Paid/Partially-paid/Unpaid | First 30 days – fully paid Following 60 days – 75% paid Following 30 days - unpaid |
| Bereavement Leave | <ul style="list-style-type: none"> • Death of direct family member | Paid | 5 working days Death of husband: <ul style="list-style-type: none"> • Muslims 50 days • Non-Muslims 15 • Pregnant – Until delivery |
| Marriage Leave | <ul style="list-style-type: none"> • Marriage | Paid | 5 working days |
| Childbirth Leave for Male Employees | <ul style="list-style-type: none"> • Birth of a child | Paid | 3 working days |



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|--------------------------|--|---|--|
| Haji Leave | <ul style="list-style-type: none">• Once during service period• 2+ years of service | Paid | Min 10 days Max 15 days |
| Maternity Leave | <ul style="list-style-type: none">• Completion of the probation period | Service Period: 1-2 Year – 50% Paid 2+ Years – 100% Paid | Before Delivery - 4 weeks After Delivery – 6 weeks |
| Examination Leave | <ul style="list-style-type: none">• 15 days advance approval• Not repeat exam | Paid | Period of examination |
| Unpaid Leave | <ul style="list-style-type: none">• Employer prior approval | Unpaid | Max durations is defined by the employer. Employee can be terminated, if they are absent (no prior approvals) more than 30 days during a contract year or 15 days in a row. |

Termination, Resignation or Retirement

In accordance with Labor Law Articles 84, 85, and 87, if the employment relationship has expired, the employer should pay the employee an end- of-service-benefit (EOSB) for the period of his or her service, calculated on the basis of half a month's wage for each year of the first five years (60 months) and a month's wage for each of the successive years. The last wage is considered as the basis of the calculation of the award. The employee is eligible for an award for the part of the year he or she spent at work.

If the expiry of the employment relationship was due to the resignation of the employee, he or she is eligible for one-third of the award for service of not less than two successive years and not more than five years. He or she is eligible for two-thirds thereof, if his or her service period exceeds five successive years but less than 10 years. He or she is eligible for the full award, if his or her service period reached 10 years or more.

With the exception of what is mentioned in Article 85 of the Labor Law, the employee shall be entitled to the full award if he or she leaves the position due to unavoidable circumstances beyond their control. Also, a female worker is eligible for the full award if she terminated the contract within six months from the date she got married or within three months from the date of giving birth.



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Immigration

Employment Visas (a.k.a. Block Visas) are allocated to companies by the government to enable them to recruit non-Saudi nationals from outside KSA. The companies are allocated a defined number of visas for each country and labor category. The company must meet industry- and size-specific Saudization requirements in order to qualify for expatriate employment visas. The company will not be able to hire expatriate employees if the established Saudization levels are not met.

The company must have an employment visa for the respective country and labor category available in order for a candidate to qualify for an employment visa. The candidate must also be in possession of the required documents that prove their qualifications required for the respective visa labor category.

In many countries, employment visas can only be processed by authorized recruitment and visa processing agencies.

In order to initiate an employment visa process, the employer will first open an 'immigration file' at the Ministry of Interior and apply for a visa. Once the application has been approved, the Employee is required to submit the following documents to the Saudi embassy in the country of residence:

- Original passport - valid for the duration of the employment contract with a minimum of two consecutive blank pages
- Three color passport photographs
- Completed application form - this will either be provided by the employer or can be requested from the embassy or consulate of Saudi Arabia
- Copy of the employment contract - signed by both the employee and employer
- Letter from the employer, certified by the Saudi Chamber of Commerce and the Ministry of Foreign Affairs, including the number and date of the visa, as well as the name of the applicant and the job title
- Copy of a degree or diploma received by the foreign employee, certified and notarized by the relevant organization in the home country as well as the embassy or consulate of Saudi Arabia in that country
- Three copies of a medical report (with three passport photographs) certifying the absence of the HIV virus and any contagious diseases - this must be issued by a licensed doctor from a Saudi Embassy-approved clinic in the country of origin within three months of the application
- Police report detailing any criminal records held by the applicant, which must be issued within six months of the application
- Notification of the number of the Employment Visa applied for by the company from the Ministry of Foreign Affairs in Saudi Arabia and its date of issue
- Application fee



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