

ROYAL DECREE ON FOREIGN INVESTMENT CODE

Royal Decree Number: M/1

Dated: Muharram 1, 1421 A.H. corresponding to April 10, 2000 A.D.

Article (1)

The following terms shall have the meanings stated herein unless the context requires otherwise:

- (i) The Council: the Supreme Economic Council, (SEC);
- (ii) The Commission: the General Commission for Investment, (GCI);
- (iii) The Board of Directors: the GCI board of directors;
- (iv) The Chairman: the chairman of the GCI board of directors;
- (v) The Governor: the governor and Chairman of GCI;
- (vi) Foreign Investor: a natural person who is not a Saudi citizen or a legal entity all of whose partners are not Saudi citizens;
- (vii) Foreign Investment: investment of Foreign Capital in an activity licensed pursuant to this Decree;
- (viii) Foreign Capital: foreign capital in this law includes (by way of example, not limitation) the following assets and rights owned by the foreign investor (a) money and securities; (b) profits of the Foreign Investment if used to increase the capital, expand existing projects or establish new projects; (c) machinery, equipment, spare parts, means of transportation and production requirements pertaining to the Foreign Investment; (d) rights like licenses, intellectual property rights, technical knowledge, administrative skills and means of production;
- (ix) Entities of Commodities: projects of industrial, agricultural, vegetable and animal products;
- (x) Services – Installations: services and contracts;
- (xi) The Code: the Foreign Investment Decree;
- (xii) The Regulations: the executive regulations of this Decree.

Article (2)

Without violation of any law or agreement, the Commission will issue foreign investment licenses on a temporary or permanent basis.

The Commission should decide on the application of the investment within 30 days, effective from the date of receipt of the required documents as stipulated in the Code.

If the Commission denies the application within the fixed time, then such decision should be reasoned and justified.

The Investor whose application has been rejected has the right to appeal the decision, according to the law.

Article (3)

The Council is empowered to issue a list of the activities, which are excluded from Foreign Investment.

Article (4)

In consideration of Article (2), the Foreign Investor has the right to obtain more than one license in various activities. The Regulations determine the required restrictions.

Article (5)

The licensed Foreign Investment should either be in installations owned by a national investor and a Foreign Investor, or installations wholly owned by the Foreign Investor. The legal form for the installation is to be consistent with this Decree and instructions.

Article (6)

A project licensed in accordance with this Decree shall enjoy all privileges, incentives and guarantees that are enjoyed by a national project according to law.

Article (7)

The Foreign Investor has the right to remit abroad his share either from selling his portion of the profit or surplus from the dissolution of the project or of the profits earned by the project. He also has the right to use it in any legal manner. And he also has the right to remit the necessary sums to meet any contracting obligations pertaining to the project.

Article (8)

The licensed foreign firm has the right to own real estate needed to practice the licensed activity or to house some or all of the firm's personnel in accordance with real estate regulations for non-Saudis.

Article (9)

The licensed firm is empowered to sponsor the Foreign Investor and his non-Saudi employees.

Article (10)

The Commission will provide to whoever is interested in investments the required information, clarification, and statistics as well as the required services and procedures to facilitate all matters pertaining to investments.

Article (11)

The investments of the Foreign Investor are not allowed to be confiscated either partially or entirely without a judicial verdict, and his property is also not allowed to be expropriated, either partially or entirely, except for public interest and in return for fair compensation in accordance with the law and regulations.

Article (12)

The Investment Commission shall notify the Foreign Investor of any violation of this Decree or its Regulations in writing within a reasonable period of time that is to be fixed by the Commission. This process is intended to eliminate the violation within its Regulations.

- (i) If the violation remains uncorrected, the Foreign Investor will be subject to one of the following actions:
 - (a) deprivation of all or some of the incentives and privileges,
 - (b) payment of a fine not to exceed SR 500,000, or
 - (c) loss of his investment license.
- (ii) The above-mentioned actions will be carried out by a decision issued by the Board of Directors.
- (iii) The Foreign Investor has the right to appeal the action taken against him to the Grievances Committee in accordance with its Regulation.

Article (13)

Without violation of the agreements to which the Kingdom of Saudi Arabia is a party, settlement of disputes between the Saudi government and the Foreign Investor or between the Saudi partner and the Foreign Investor concerning the latter's licensed investment in accordance with this Decree is to be settled in an amicable manner, but if such settlement is not reached, the dispute will be settled in accordance to the Saudi laws.

Article (14)

All licensed Foreign Investments will be treated in accordance with the tax law and its amendments implemented in the Kingdom of Saudi Arabia.

Article (15)

The Foreign Investor shall adhere to the laws, regulations and instructions implemented in the Kingdom of Saudi Arabia and to the international agreements to which the Kingdom is a party.

Article (16)

The implementation of this Decree does not contravene the acquired rights of foreign investments that exist prior to the implementation of this Decree; nonetheless, the practice of these investment projects or the increase of their capital will be subject to the rules of this Decree.

Article (17)

The Commission shall issue regulations and publish them in the Official Gazette, and they will be implemented effective upon their date of publication.

Article (18)

This Decree shall be published in the Official Gazette and be effective 30 days after its publication. The Foreign Investment Decree, issued by the Royal Decree Number M/4 dated 2.2.1399 shall be annulled and it will also annul all provisions that contradict with its rules.