

NEW INVESTMENT LAW

The new Investment Law, effective February 6, 2025, marks a significant shift from the old Foreign Investment Law by encompassing both local and foreign investments, including those by government-owned companies.

It aims to streamline business setup, improve transparency, and offer equal treatment to make Saudi Arabia a more attractive destination for regional and international investors.



Introduction

The Investment Law issued under Royal Decree No:M/19 dated 16.01.1446 H. will become effective on 7.8.1446 H. (6 February 2025).

Unlike the old “Foreign Investment Law,” the new “Investment Law” covers investments by both local and foreign investors including government-owned companies.

The Investment Law exercise involved an exhaustive review of the investment regimes of six countries (USA, Germany, Turkey, Indonesia, UAE, and Singapore) to understand the challenges faced by those countries and how they tackled the issues to create a conducive investment environment.

The Investment Law and the clarification document prepared by the Ministry of Investment restate the Kingdom’s objective to enhance the competitiveness

of the investment environment to increase the pace of economic development and creation of job opportunities.

The Law specifically guarantees the protection of investors’ rights, fairness, and equal treatment to both local and foreign investors and provides for transparency and fair process for investors.

The Ministry of Investment expects that the new simplified investment regime and assurance of transparency, equality, fairness and liberty to opt for alternate means of dispute resolution would enhance the confidence of foreign investors.



وزارة الاستثمار
Ministry of Investment



Key Features

One of the key features of the Investment Law is streamlining the entire process of setting up businesses by investors. The clarification document reiterates the easing of regulatory restrictions for investors and one of the means of achieving this objective is doing away with the existing licensing requirements for foreign investors and replacing them with a simplified registration process.

The Ministry of Investment will receive applications from investors and obtain the required approvals for engaging in different activities by coordinating with the competent authorities.

In short, the Law enabled a single window mechanism to obtain all licenses and permits for engaging in commercial, industrial, or service activities.

The new law will allow investors to invest in any sector and engage in any activity that is available for investment in Saudi Arabia regardless of whether they are local investors or foreign investors. Unlike the current regime wherein foreign investment is restricted in activities that fall in the ‘Excluded or

Negative List,’ the foreign investors will be able to carry out activities included in the ‘Excluded List’ subject to obtaining specific approval by the competent authority through the Ministry of Investment. The list of ‘Excluded Activities’ will be re-evaluated and updated by competent authorities.

The Law also provides suspension of foreign investment in any activity if the national security mandates such suspension and such decision will be based on objectivity and bearing in mind the Kingdom’s obligations under international agreements.

Besides the incentives offered for investments in Special Economic Zones (SEZs), the Law indicates the granting of incentives to investors by the competent authority.

The provision for alternate dispute resolution is another feature that will enable investors to agree even with the public agencies to resolve their dispute through arbitration or mediation instead of being subject to the local court’s jurisdiction.



The Law and the clarification document provides detailed definitions of several terms.

For instance, capital has been defined to include not just cash and in-kind shares, it includes among other assets, intellectual property rights, and rights and concessions granted to an entity. Notably, the Law underlines investors' rights over intellectual property and trade secrets.

While defining foreign investors, the Law includes 'natural person.' Under the existing arrangements, juristic entities and premium residency holders can only invest in Saudi Arabia. Although expropriation for public good or interest was always done against

fair compensation, the Law specifically addresses this issue and provides a specific guarantee.

Similarly, the transfer of funds earned out of investments or profits or proceeds of liquidation was always allowed. The Law categorically restates that the investors will have the right to repatriate or transfer funds within or outside of Saudi Arabia without any delay.

The issuance of Rules of Implementation will provide further guidance on the process of registration, requirements, conditions, and fees for obtaining permits, licenses, and services through the Ministry of Investment.

Conclusion

The new investment regime is widely expected to further boost foreign direct investments in Saudi Arabia wherein the existing business will expand their activities in other domains including the sectors that either were hitherto closed or required specific criteria, conditions, and requirements. It will also attract new investors from different parts of the globe and catalyze the pace of industrialization as well as increase trade and commerce besides boosting the services sector.