

CODIFICATION OF LAWS IN SAUDI ARABIA: A NEW CHAPTER OF LEGAL REFORM

Saudi Arabia's codification law, under Vision 2030, aims to modernize the Kingdom's legal system, improve transparency, and foster economic growth by creating clear, written statutes across various areas of governance, commerce, and civil matters including the new companies law, civil transactions law, personal status law and updated employment law, as well as the introduction of the personal data protection law and real estate transaction tax law. It also highlights codification's benefits for businesses while also addressing the challenges and future outlook of this process.



Saudi Arabia has embarked on a transformative phase in its legal landscape and one of the aspects of this is phase is the drive for codification of laws. This monumental step is part of the Kingdom's Vision 2030, which aims to modernize its legal system, enhance judicial transparency, and attract foreign investments. The codification process's first steps in the codification process of Saudi Arabia's laws involve creating comprehensive written statutes that provide clear and accessible legal guidelines for various aspects of governance, commerce, and day to day affairs.

Historical Context

Historically, Saudi Arabia has relied on Islamic law, or Sharia, as the primary source of legislation. While Sharia remains the foundation of the Kingdom's legal system, the codification of laws introduces more structured and specific statutes that address contemporary legal and economic needs. This initiative marks a shift towards a more standardized legal framework, providing greater clarity and predictability for both domestic and international stakeholders.



Key Areas of Codification

New Companies Law

The New Companies Law, that became effective in January 2023, mandates all companies to amend their Articles of Association (AoA) or Memorandum of Association (MoA) by January 2025. This law enhances flexibility in corporate structures while maintaining safeguards for all stakeholders. It aims to streamline corporate governance and operations, ensuring that businesses comply with the updated legal requirements and best practices. The Saudi Business Centre facilitates these processes, offering unified services to ensure compliance.

Civil Transactions Law

The codification of civil transactions law aims to regulate contracts, property rights, and obligations. This law provides a clear framework for civil and personal transactions, enhancing legal certainty and protecting the rights of all parties involved. The Civil Transactions Law aligns with international commercial standards, facilitating smoother domestic and international business operations.

Personal Status Law

The Personal Status Law codifies regulations concerning family matters, including marriage, divorce, child custody, and inheritance. The Personal Status Law aims to protect the rights of individuals and families, ensuring fair and consistent application of legal principles. By codifying these aspects, Saudi Arabia seeks to provide a clear legal structure that upholds the dignity and rights of individuals while respecting cultural and religious values.

Criminal Law

The codification of criminal law introduces clear definitions of criminal offenses and penalties. This reform enhances the consistency and transparency of the judicial process, ensuring that justice is administered fairly and effectively and in a uniform manner. With explicit statutes in place, the legal system can more effectively deter criminal behavior and ensure appropriate penalties are applied.

Amendments to Employment Law

Introduced as part of the Vision 2030 reforms, these amendments aim to protect worker's rights and enhance labor market efficiency. Key provisions include¹:

- **Worker Protections:** Enhanced regulations to protect workers from arbitrary dismissal, ability to change employers and ensure timely payment of wages.
- **Saudization:** Initiatives to increase the employment of Saudi nationals in the private sector.
- **Workplace Safety:** Stringent safety standards to ensure a safe working environment for all employees.
- **Dispute Resolution:** Streamlined processes for resolving employment disputes to ensure fair and timely outcomes.
- Modifications to 38 articles, removal of 7 articles, and the addition of 2 new articles.
- **Expanded chapters on leave and contracts,** including definitions for "resignation" and "outsourcing," and procedures for resignation.
- **Revised worker grievance processes** and penalties for unlicensed worker recruitment activities.
- **Employers required to establish training and qualification policies** to enhance worker skills and performance.
- Significant changes to the maritime labor chapter.

New Personal Data Protection Law

The New Personal Data Protection Law aims to safeguard personal data and enhance privacy rights. Key aspects include:

- **Data Protection:** Stricter standards for data privacy and protection, ensuring that personal data is collected, processed, and stored securely.
- **Data Subject Rights:** Enhanced rights for individuals to access, correct, and delete their personal data.
- **Data Breach Notification:** Requirements for organizations to report data breaches promptly and take appropriate measures to mitigate risks.
- **Cross-Border Data Transfers:** Regulations governing the transfer of personal data outside the Kingdom to ensure compliance with international data protection standards.

Real Estate Transaction Tax Law

The Real Estate Transaction Tax (RETT)² law introduces a 5% tax on the sale or transfer of real property. This tax is calculated based on the total value of the agreed transaction, which should not be less than the fair market value³.

The law provides specific exemptions for various categories of real estate transactions, such as bequests, financial leasing, and long-term usufruct contracts⁴. The law aims to regulate the real estate market, enhance transparency, and diversify revenue streams as part of Saudi Arabia's Vision 2030.

[Cabinet Approves Key Amendments to Labor Law Articles¹](#)

[Real Estate Transaction Tax \(RETT\)²](#)

[Saudi Arabia issues Real Estate Transaction Tax Law³](#)

[Simplified Guideline Real Estate Transaction Tax⁴](#)

Legal Clarity and Accessibility

Codified laws provide clear and accessible legal guidelines, reducing ambiguity and enhancing understanding among citizens, businesses, and foreign investors. The availability of written statutes ensures that all parties have a clear understanding of their rights and obligations, minimizing legal disputes and promoting a stable business environment.

Economic Growth

A standardized legal framework creates a stable and predictable environment for businesses, encouraging domestic and foreign investments. Codified laws provide legal certainty, reducing the risks associated with commercial activities. Investors are more likely to engage in business ventures when they have confidence in the legal system's ability to enforce contracts and protect their investments.

Benefits of Codification

Vision 2030 legal reforms
and business benefits in
Saudi Arabia

Judicial Transparency

The codification of laws promotes transparency in the judicial system, ensuring that legal principles are applied uniformly, consistently and fairly. This transparency builds trust in the legal system and enhances the rule of law. By clearly defining legal standards and procedures, the judiciary can operate more efficiently, delivering timely and just decisions.

International Alignment

The codification of laws aligns Saudi Arabia's legal framework with international standards, facilitating cross-border transactions and cooperation. This alignment strengthens the Kingdom's position in the global market and enhances its attractiveness as an investment destination. By adopting globally recognized legal practices, Saudi Arabia can more effectively participate in international trade and investment activities.

Protection of Rights

Codified laws protect the rights of individuals and entities by clearly outlining legal responsibilities and recourse. This protection is particularly important in areas such as personal status, where family law codification ensures that individuals' rights are upheld consistently.



Challenges and Future Outlook

While the codification of laws presents numerous benefits, the process requires careful consideration of the existing legal principles, cultural values, and modern needs. Ensuring that the codified laws are comprehensive, coherent, and culturally appropriate is a complex task that demands collaboration among legal scholars, practitioners, and policymakers.



The Role of Technology

Technology plays a pivotal role in the codification process. The use of legal tech tools and digital platforms can streamline the drafting, review, and dissemination of codified laws. These tools facilitate collaboration among stakeholders, ensure accuracy, and enhance accessibility. For example, online legal databases and mobile applications can provide users with easy access to the codified laws, promoting legal awareness and compliance.



Public Awareness and Education

Raising public awareness and educating citizens about the codified laws is crucial for the successful implementation of the reforms. The government and legal institutions must conduct outreach programs, workshops, and seminars to inform the public about their rights and obligations under the new legal framework. Effective communication strategies will ensure that individuals and businesses understand and comply with the codified laws.

Conclusion

The codification of laws in Saudi Arabia represents a new era of legal reform, characterized by clarity, transparency, and alignment with international standards. As the Kingdom continues to implement its Vision 2030 initiatives, the codification of laws will play a pivotal role in achieving sustainable economic growth and fostering a stable and predictable legal environment. This transformative initiative underscores Saudi Arabia's commitment to modernizing its legal system and enhancing its global competitiveness.

In summary, the codification of laws marks a significant milestone in Saudi Arabia's legal reform journey. By providing clear and accessible legal guidelines, promoting judicial transparency, and aligning with international standards, the codified laws will support the Kingdom's economic development and attract foreign investments. As the Kingdom continues to evolve, the codification of laws will serve as a foundation for a modern, efficient, and reliable legal system.