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COMMERCIAL REGISTER LAW & TRADENAMES LAW

In an effort to enhance Saudi Arabia's business landscape, the Cabinet has approved the Commercial Register Law and the Tradenames Law. These revised regulations, set to take effect within 180 days, are designed to streamline business operations and simplify the commercial registration and tradename adoption processes and allow Saudi businesses to align with global standards and promote a more efficient, transparent, and competitive environment for all stakeholders.



Introduction

On 17 September 2024, the Saudi Arabian Cabinet approved issuance of two laws, namely the Commercial Register Law and Tradenames Law, to replace both the existing laws (after 180 days from the date of publication in the official gazette – expected to be published in 1-2 weeks' time). The revised Laws will further bolster the business and investment environment in Saudi Arabia.

The core objective for the amendments and changes to the existing regulatory framework is the simplification of the tradenames registration and obtaining commercial registration processes. The new laws will enable businesses to operate in line with the best international practices while protecting the interests of local and international stakeholders.



Commercial Register Law

Unlike the current provision wherein the Ministry of Commerce maintains separate commercial registers for each city, the new Law provides one commercial register within the Ministry covering the entire Kingdom.

Hence, the businesses will no more be required to obtain separate commercial registrations (CRs) for each branch or store that are operational in one city or in different cities.

The Law provides a grace period of (5) years for businesses to cancel the CRs of branches and transfer the assets and businesses associated with them to the main CR or simply cancel the CRs and close the business linked with those CRs.

As is the current situation, a merchant or a company will be required to obtain a commercial registration before commencing any business activity by providing (a) name, ID and address (b) trade name (c) form of the entity (d) amount of capital and other information which will be stipulated in the Executive Regulations and with a few exceptions, all such applications will have to be lodged through the Ministry's electronic / digital platform.

The Law requires that any change in the particulars or information be notified to the Ministry within (15) days from the date of the change and that failure to do so will result in the cancellation of the CR. The current law requires that the changes be notified within a (30) day period. The new Law will enable businesses to carry out different activities through one CR without any condition of similarity in activities. As is presently, the businesses shall be required to add the name of the registered entity and the CR number in Arabic on their letterheads.

وزارة التجارة
 Ministry of Commerce

Notably, the Companies Law requires the limited liability companies, joint stock companies, and simplified joint stock companies to add the form and the amount of capital too on letterheads, contracts and similar documents.

The CR will not have any expiration date nor require specific renewal upon expiration as is the case now. However, the entities will have to annually provide confirmation on particulars and information contained in the CR, and failure to comply will result in the CR's suspension for a period of (3) months.

If the process of confirmation is not completed within one year from the date of suspension, the Ministry may cancel the CR after providing a notice of (15) days.

The company or merchant may request for reinstating the CR any time within a period of (5) years from the date of cancellation and the Ministry will consider the request and reinstate the CR subject to the entity paying all of the due fee and fines.

The Law provides for a fine not exceeding a sum of SR.500,000.00 for providing incorrect information while requesting to add the entity in the commercial register, while providing amendments or annual confirmation, for not providing annual confirmation or not notifying changes within the specified period, or for not mentioning the required information on letterheads and other publications.



Tradenames Law

The new Law will enable business to adopt any tradename comprised of words in Arabic or other languages as well as a tradename comprised of letters or numerals, if the name is appropriate and is not misleading or does not violate norms, customs, or public policy.

The existing law allows tradenames comprised of foreign language words as an exception to entities that are registered in foreign jurisdictions or if they are famous names.

The list of prohibition includes words or names that are internationally renowned; words or phrases reflecting political, military, or religious denotations; words that are similar to names of regional or international organizations or words that are similar to trademarks that are registered or famous in Saudi Arabia.

Notably, what could be referred to as a unique feature, the Tradenames Law will enable businesses to dispose of, assign, or transfer tradenames separately without transferring the business or vice versa.

In such cases, the entity assigning or transferring the tradename will have to obtain another tradename for the business that it would retain and would like to continue operating.

Similarly, if an entity disposes of its business without the tradename will be entitled to use it by registering the tradename in the commercial register.

The business purchaser, along with the tradename, will be liable for all debts and obligations attached to the tradename from the date of transfer of the tradename in the commercial register. However, no claims will be entertained after lapse of five years from the date of transfer.

The Law provides for a grace period of (2) years from the date of cancellation of a CR for any reason to request for reinstatement of the tradename, after which period, any third party may apply for the same tradename. The Law provides for a fine not exceeding a sum of SR.500,000.00 for use of tradenames reserved or registered for another entity or under protection period of two years or violation of any provision of the Tradenames Law.

Conclusion

The revised Laws reflect the resolve of the Kingdom to align the businesses on par with the best international practices. The unique concept of sale or transfer of a tradename without the transfer of business will enable entities and owners of tradenames to capitalize on goodwill attached to the tradename.

The provision to adopt words and combination of letters in Arabic and foreign languages will enhance the options and choice of names as well as enable businesses to reflect individuality, uniqueness, and distinctive character. The removal of requirement for having CRs for each branch or store or facility will simplify the process of obtaining and maintaining CRs as well reduce costs.

The revised Companies Law, Investment Law, and the aforementioned two Laws go hand in hand in creating a conducive business and investment environment for both local and foreign investors to capitalize on the burgeoning trade, commerce, and industry.