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# SAUDI ARABIA'S COMMERCIAL TRANSACTIONS LAW: WHAT BUSINESSES NEED TO KNOW

Saudi Arabia's new Commercial Transactions Law was published in the Official Gazette, Umm Al-Qura, on 13 November 2026. It will come into force 180 days after publication. The Law introduces a modern framework for commercial activities, accounting records and negotiable instruments, replacing legislation that has governed parts of the commercial sector for many decades.



## Introduction

For businesses, an important question is how the new Law will work alongside the Civil Transactions Law, which has been in force since December 2023. This article explains the main changes, highlights the practical differences between the two laws and outlines the steps businesses can take to prepare.

## At a glance

- **Publication:** 13 November 2026 in the Official Gazette, Umm Al-Qura.
- **Entry into force:** 180 days after publication.
- **Previous legislation:** the Commercial Court Law, the Negotiable Instruments Law and the Commercial Books Law will be repealed.
- **Scope:** commercial activities carried out electronically or through traditional means, and merchants, including companies established under the Companies Law.

## What the law covers

The Law applies to commercial activities, whether carried out electronically or through traditional means, and to merchants. It may also apply where a transaction is commercial for one party but not for the other, unless the parties agree otherwise.

Some activities are treated as commercial even when carried out only once. These include buying goods for resale, transactions involving negotiable instruments, telecommunications and internet services, hotels and restaurants, and activities involving energy and natural resources. Other activities are considered commercial when carried out as a profession, including banking and finance, insurance, commercial agencies and distribution, industry, construction contracting, marketing and information technology. Similar activities may also fall within the Law, as may any activity a merchant carries out for the purposes of its business. Liberal professions, crafts, agriculture and the sale of a person's own creative work are generally not treated as commercial activities.

## Who is a merchant?

A merchant may be an individual who regularly carries out commercial activities in their own name and for their own account, a private legal entity that does so without being a company, or a company established under the Companies Law, regardless of its purpose. This includes companies established or owned by the State. The State and other public bodies are not themselves considered merchants, although their commercial activities may be subject to the Law.

A person who has reached the age of 15 may engage in trade with the permission of a guardian or the court. Their liability is limited to the funds invested in the business.

## The business as an asset

The Law treats a business as a collection of tangible and intangible assets. These may include goods, equipment, goodwill, a trade name, intellectual property, licences, lease rights and a website. The real estate from which the business operates is not included.

A sale or other transfer of a business, or of an independent branch, will take effect against third parties only after it has been registered in the commercial register and the relevant third parties have been notified. If the business is sold without its trade name, the seller remains responsible for obligations that existed at the time of the sale. Buyers and sellers should take these requirements into account when planning a business transfer.

## Commercial obligations

***The Law introduces a number of rules intended to make commercial dealings clearer and more predictable:***

- **Joint liability:** Parties who owe a commercial debt are generally jointly liable. Guarantors may also be jointly liable with one another and with the debtor, unless the creditor agrees otherwise.
- **Guarantees:** A guarantor of a commercial debt cannot require the creditor to pursue the debtor first, even if the guarantee is not joint.
- **Payment for goods and services:** Goods and services supplied by a merchant in the course of business are presumed to be provided for payment. If the parties have not agreed on a price, it will be determined by reference to their previous dealings or, if there are none, the market price.
- **Early payment:** A creditor is not required to accept early performance of a commercial contractual obligation.
- **Notices:** Where a notice is required, it may be given in writing or through another legally recognised method.
- **Unfair competition:** Merchants must not harm competitors through deception or false claims. A party that suffers harm may ask the court to stop the conduct and award compensation.

## Accounting records replace commercial books

Every merchant must maintain an accounting system that records its financial position, rights and obligations. Records may be kept on paper or digitally and must be maintained in Arabic.

Other languages may be used alongside Arabic. The Ministry of Commerce is expected to issue detailed regulations setting out the records that must be kept and the categories of merchants that may be exempt. Failure to comply may result in fines of up to SAR 50,000. Once the Law comes into force, the term "accounting records" will replace "commercial books" in relevant legislation.

## Commercial contracts

***The Law brings together rules on commercial sales, supply, commercial agencies and brokerage. Businesses should pay particular attention to the following:***

- **Price:** If the parties have not agreed on a price, it will be determined by reference to their previous dealings or, if there are none, the market price.
- **Defects:** A buyer must notify the seller of any shortage, defect or non-conformity within ١٥ days of actual delivery. Any claim must generally be brought within ٩٠ days of delivery. For hidden defects, the claim period is one year. The parties may agree to different periods.
- **Non-payment:** If the buyer fails to pay and the goods have not yet been delivered, the seller may give notice, resell the goods and claim any difference in price.

- **Commercial agency:** Where an open-ended commercial agency is terminated without fault on the agent's part, the agent may be entitled to compensation, including lost profits. This entitlement cannot be excluded by agreement. Claims must be brought within three years of the agency ending.

## Negotiable instruments

The Law covers bills of exchange, promissory notes and cheques. It sets relatively short time limits for claims. For example, a cheque holder's claims against the drawer and endorsers may be time-barred 180 days after the end of the period for presenting the cheque. Issuing a cheque without sufficient funds, stopping payment or signing a cheque in a way that prevents it from being paid may lead to imprisonment for up to three years and a fine of up to SAR 50,000. These rules operate alongside the Enforcement Law, under which cheques are enforcement instruments.

## Commercial Transactions Law and Civil Transactions Law: key differences

The two laws are intended to work together. The Civil Transactions Law provides the general framework for obligations and contracts, while the Commercial Transactions Law contains specific rules for commercial activities and merchants. Where the Commercial Transactions Law does not address an issue, the Civil Transactions Law may apply as a supplementary source. If the two laws contain different rules on a commercial matter, the applicable commercial rule takes priority. The main differences are summarised below.

| Point | Civil Transactions Law | Commercial Transactions Law |
|---|---|---|
| **Role** | Provides the general rules for civil transactions, obligations and contracts. | Provides specific rules for commercial activities and merchants. |
| **Order of rules** | Applies subject to any relevant special legislation. | The parties' agreement applies first, provided it is consistent with the Law. Otherwise, the Law and relevant commercial customs apply, with the Civil Transactions Law supplementing where needed. |
| **Mixed transactions** | Provides the general framework, subject to applicable commercial rules. | May apply where a transaction is commercial for one party but not the other, unless the parties agree otherwise. |
| **Joint liability** | Generally arises where the parties agree or the law provides for it. | Joint liability is generally presumed for commercial debts. Guarantors may also be jointly liable with one another and with the debtor, unless the creditor agrees otherwise. |
| **Guarantees** | The general rules on guarantees apply. | A guarantor cannot require the creditor to pursue the debtor first. |

| Point | Civil Transactions Law | Commercial Transactions Law |
|---|---|---|
| **Early payment** | The general rules on early payment apply. | A creditor is not required to accept early performance of a commercial obligation. |
| **Payment for goods and services** | The general rules on payment apply. | Goods and services supplied by a merchant in the course of business are presumed to be provided for payment. If no price is agreed, previous dealings or the market price may be used. |
| **Time limits** | A general limitation period applies, subject to shorter periods for certain claims. | Specific deadlines may apply, including 15 days to notify defects, 90 days to bring a claim, one year for hidden defects, three years for certain agency claims and 180 days for certain cheque claims. |

In practice, a business should first establish whether a transaction is commercial. It should then consider the parties' agreement, the Commercial Transactions Law and relevant commercial customs. The Civil Transactions Law may apply where the commercial framework does not provide an answer.

## Practical steps for businesses

- **Review your contracts:** Identify sale, supply, agency, distribution and brokerage agreements that may be affected by the new Law. Pay particular attention to governing-law and dispute-resolution clauses.
- **Review guarantees and credit terms:** Reassess how your business manages commercial debts and guarantees, particularly the rules on joint liability and the creditor's right to pursue a guarantor.
- **Update purchasing procedures:** Make sure your receiving and quality-control teams can identify and report shortages, defects or non-conformity promptly. Record the relevant delivery dates and diarise the applicable claim deadlines. If needed, consider agreeing different periods in the contract.
- **Review agency arrangements:** Consider the potential compensation payable if an open-ended commercial agency is terminated without fault on the agent's part. Review existing agreements and termination procedures.
- **Prepare your accounting system:** Ensure that your accounting records can be maintained on paper or digitally in Arabic, and monitor the publication of the detailed regulations.
- **Plan business transfers carefully:** Allow enough time to register a business transfer and notify the relevant third parties.
- **Brief your finance team:** Make sure staff responsible for payments understand the rules on cheques and the deadlines that may apply to claims.