



SAUDI ARABIAN GENERAL INVESTMENT AUTHORITY
SAGIA

SAGIA Business Center

Legal business structures in the Kingdom

In practice, LLCs are the most common foreign entities operating in Saudi Arabia, with other types established only in exceptional cases.

Which business structure is right for you in the Kingdom?	
Limited Liability Company (LLC)	Joint Stock Company
1. May be wholly owned by foreigners	1. May be wholly owned by foreigners
2. May have one or more managers, with no requirement for any manager to be a Saudi national	2. Shares in Joint Stock Companies freely transferable, with the exception of founders' shares
3. May choose the start date of the fiscal year (but must expressly do so); the default calendar is Hijri calendar	3. May have nominative or bearer shares and preferred shares

Limited Liability Company

Limited Liability Companies are easy to establish and offer protection to individual investors as liability is limited to each individual partner's contribution to the company's share capital. Under the Companies Law, partners are jointly personally liable to pay all the company's debts if the company's losses exceed 75% of its stated capital and no resolution of the partners providing for the continuation of the company (and payment of debts) is adopted within thirty (30) days. This resolution should determine if the company continues or is dissolved after the partners pay its debts.

Joint Stock Companies

The administration of Joint Stock Companies is more detailed than those applicable to Limited Liability Companies. However, the requirements are not as strict as those found in certain Civil Law Jurisdictions. This means that the cost of administration for a Joint Stock Company is not significantly higher than those for a Limited Liability Company. Shareholders of Joint Stock Companies also have the right of pre-emption if it has been made part of the company's Articles of Association or shareholders agreements.

Regulations Governing Limited Liability Companies (LLC)

The company must have at least two but no more than 50 partners, who may be nationals or legal residents. Shareholders' agreements are permitted and enforceable only if the terms are in compliance with Shari'a and Companies Law. There must also be a supervisory board of at least three members if the company has more than 20 shareholders. Share transfers should be approved by SAGIA and the Ministry of Commerce. Shares must be offered to other partners before third parties, and the company's SAGIA license, Commercial Registration and Articles of Association must be amended following any share transfer.

Regulations governing Joint Stock Companies

The proposed Articles of Association of Joint Stock Companies should follow a model issued by the Ministry of Commerce and Industry. Joint Stock Companies must also have a board of directors that is composed of at least 3 persons. The board of directors must have a chairman and managing director amongst its members and they must own no less than SR10,000 in company stock. An ordinary shareholders meeting must be held at least once a year, but no later than 6 months after the end of the company's fiscal year. Extraordinary shareholders meetings can also be convened in order to amend the company's Articles of Association.