



"We promote development of local oil & gas support industries"

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Incentives for Foreign Investors:

Except as otherwise noted and subject to limitations and/or exclusions published by the Saudi Government, the following incentives are provided to foreign and local investors:

- Can own 100% of their investment projects in the Kingdom of Saudi Arabia (KSA), as applicable.
- Shall enjoy all the benefits, incentives and guarantees extended to national (100% Saudi owned) investments.
- Under the current Saudi Arabian Income Tax Law, shall pay a maximum of 20% tax on corporate profits above SR 100,000 (U.S. \$26,700). Subject to the provisions of the Saudi Arabian Income Tax Law and Companies Regulations, are allowed to repatriate 95% of their capital, profits and dividends (5% is deducted as a withholding tax and there are no currency conversion or currency export restrictions).
- May freely transfer shares.
- Can enjoy (i) incentives provided under the Protection and Promotion of National Industries Act, including exemption from customs duties on imports of machinery and equipment, raw materials and spare-parts if imported for industrial use, and (ii) preferential treatment for national products in governmental procurement.
- Can apply for industrial loans on favorable terms from the Saudi Industrial Development Fund (SIDF) or other lending agencies.
- Will benefit from the Kingdom's WTO accession commitments and applicable bilateral investment protection and promotion agreements signed by the government.
- Subject to Saudization requirements, can sponsor foreign employees (i.e., to obtain entry and exit visas and residency and work permits) pertaining to the investment project.
- Can refer disputes to the Board of Grievances and Investment Disputes Settlement Committee.
- Can carry over current tax losses into future years to offset taxes on future profits.
- Can benefit from non-imposition on personal income tax.
- Shall receive the same treatment, protection and incentives accorded to a national investment since the Kingdom is member of the Multilateral Investment Guarantee Agency (MIGA).
- Shall be provided pre-investment assistance by Saudi Arabian General Investment Authority (SAGIA) such as in:
 - conducting feasibility studies for industrial projects.
 - providing information and statistics for investment projects within the scope of Saudi Arabia's development plans.

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Initial Stage

- If so requested by the investor, LEDD will assess Saudi Aramco's consumption for a specific commodity/service.
- LEDD will be available to assist the investor in developing a preliminary commercial assessment of his project opportunity related to the product or service.

Intermediate Stage

- Following completion of the preliminary study, the investor will perform a detailed feasibility study focusing on the intended commodity/service range and associated financial, operational and construction elements of the project.
- Based on the results of the detailed feasibility study, the investor creates a project execution/planning team to develop the new venture.
- The investor applies for an Investment license at SAGIA's In Kingdom (IK) offices or submits an online application via SAGIA's Web site.

Next, the investor applies for a Reference number, and a Commercial Registration. Both Applications need to be done at one of SAGIA offices in KSA.

As applicable, the investor next submits an industrial land allocation application to the respective Royal Commission or Industrial City authority in KSA.

The investor should also apply to the gas Regulator within the Ministry of Petroleum and Mineral Resources for the allocation of sales gas and/or ethane if required by the project.

Once the land allocation and/or gas allocation is secured, the investor can submit a loan application to any Government organization (e.g., SIDF, GOSI, etc.) from which financing for the project will be sought.

Final Stage

- The investor develops a robust execution plan.
- Project execution begins with commencement of plant design & construction.
- The investor must apply for a Commercial Registration number through the appropriate office of the Ministry of Commerce and Industry when the plant is about to commence operations or the service offering is available.
- When the plant begins production or service offering is available, all required documentation is submitted to Saudi Aramco for approval.
- Once the new manufacturer/service provider is approved, Saudi Aramco is ready to initiate the procurement process if prices are competitive, and delivery terms are acceptable.

The Kingdom's Attractive Investment Environment:

- **The Kingdom, as per SAGIA, has:**
 - Strategic geographic location with convenient access to fast growing regional and international markets.
 - Abundance of natural resources.
 - Long history of political and economic stability.
 - Commitment to open market economic policies.
 - No history of labor disputes or work strikes.
 - Leading exporter/importer in the Middle East.
 - Largest consumer market in the Middle East.
 - Modern and well equipped industrial cities.
 - On going privatization process of public entities.
 - High market liquidity, and stable, strong and advanced banking system.
 - Availability of insurance service providers covering a variety of insurance risks (e.g., property "fire, theft," motor vehicles, contractors, 3rd party, health).
- **The Kingdom, as per SAGIA, ranks within:**
 - the first seven countries of lowest inflation rates in the world (IMD).
 - the first 25 countries in total cash savings (Index of Economic Freedom).
 - the first 24 countries of least cost public sector loans (from "SIDF").
 - the best three countries in the world as of proprietorship registration cost.
 - the first five countries in the world having easiest labor recruitment and work hours flexibility.
 - the first eight countries in best exchange rate policies (IMD).
 - the first seven countries in total local savings (IMD).
 - the best country in the Middle East in exchange rate index (Doing Business '06).
 - the highest per capita income and purchasing power in the Middle East.
- **The Kingdom, as per SAGIA:**
 - is the biggest financial market in the Middle East.
 - has the largest foreign investment balance in the Arab world (Arab Investment Guarantee Corporation Reports).
 - has the largest economy in the Middle East with gross local product exceeding 300 billion dollars, and a growth rate reaching 6% per annum over the last 3 years.
 - has the largest oil reserves in the world (about 26% of the world's total proven reserves), and is 4th in natural gas reserves.

Investment Enablers:

- **Availability of low cost energy:**
 - Gas is currently priced at U.S. \$0.75/mmbtu and is subject to allocation by the Ministry of Petroleum and Mineral Resources.
- **Availability of low cost feedstock:**
 - Natural Gas & Ethane are currently priced significantly lower than international prices at U.S. \$0.75/mmbtu and is subject to allocation by the Ministry of Petroleum & Mineral Resources.
- **Availability of developed industrial sites on short, medium, and long-term rental at nominal charges:**
 - Royal Commission's land in Jubail & Yanbu' cost SR1/m²/year (about U.S. \$0.27/m²).
 - Industrial cities' land in Riyadh 1st & 2nd, Jiddah 1st & 2nd, Dammam 1st & 2nd cost SR 0.08 (U.S. \$0.02)/m²/year plus one time payment of SR 20 (U.S. \$5.3)/m².
- **Provision of basic utilities at government set rate of:**
 - 12 halalah/kwh (3.2 cent/kwh) for electricity.
 - 0.10-6 SR/m³ (U.S. \$0.027-1.6/m³) for water based on usage category.
- The SIDF is ready to provide interest-free loans up to 50% of project capital or up to SR 600 million (U.S. \$160 million) whichever is lower, at a predetermined management fee, on projects supported by sound feasibility study.
- **Availability of duty free zone at Jiddah and Dammam Seaports.**
- **Promotion of non-oil product and service exports by the Saudi Export Development Center (established under the umbrella of the Saudi Council of Chambers of Commerce and Industry).**
- **Availability of financial support from Human Resources Development Fund (HRDF) for indigenous manpower employment for vocationally qualified and non-qualified for a maximum of SR 1,500 (U.S. \$400) per month during training, and up to SR 2,000 (U.S. \$533) per month upon employment for up to 2 years.**

Important & Useful Links:

- Saudi Arabia General Investment Authority, www.sagia.gov.sa
- Royal Commission for Jubail and Yanbu, www.rcjy.gov.sa
- Saudi Organization for Industrial Estates and Technology Zones, www.soiest.gov.sa
- Rabigh Conversion Industrial Park, www.rabighCIP.com
- Saudi Trade & Export Development Company, www.tusdeer.com
- Dammam Bonded & Re-export Zone, www.reexport.com
- Saudi Industrial Development Fund, www.sidf.gov.sa
- Saudi Ports Authority, www.ports.gov.sa
- Public Investment Fund, (via) www.mof.gov.sa
- Council of Saudi Chambers, www.saudichambers.org.sa
- Saudi Customs, www.customs.gov.sa
- Department of Zakat and Income Tax, www.zakat.gov.sa
- Ministry of Commerce and Industry, www.commerce.gov.sa
- Ministry of Labor, www.mol.gov.sa
- General Organization for Social Insurance, www.gosi.gov.sa
- Saudi Arabian Standards Organization, www.saso.org.sa
- Water Utility Company for Jubail and Yanbu, www.marafiq.com.sa
- Ministry of Petroleum & Mineral Resources, www.mopm.gov.sa
- Ministry of Finance, www.mof.gov.sa
- Electricity and Cogeneration Regulatory Authority, www.ecra.gov.sa
- Saudi Basic Industries Corporation, www.sabic.com
- Saudi Arabian Oil Company (Saudi Aramco), www.saudiaramco.com
- Saudi Electric Company, www.se.com.sa
- General Organization for Technical Education and Vocational Training, www.gotevot.edu.sa
- Saline Water Conversion Corporation, www.swcc.gov.sa
- Saudi Government Electronic Portal, www.saudi.gov.sa

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