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Introduction

Saudi Professional Service Companies: Options for Foreign Engineering, Contracting and Other Firms

In all modern economies, engineering, construction, architecture and other professional services are heavily regulated not only to protect the interests of those who invest their energies and fortunes to qualify in their chosen fields, but also of consumers whose safety, well-being and personal and commercial interests depend on the experience and skills of the professionals whom they engage.

Saudi Arabia is no exception, and in addition to setting standards for licensing of local professionals based on global best practices, has traditionally set high barriers to participation by foreign professionals in its local market.

Since joining the WTO in 2006 Saudi Arabia has acknowledged the benefits of a global free global market, in often uneasy balance with competing protectionist objectives.

Vision 2030 seek to materially improve the business climate for foreign investors based on UAE and World Bank models, by privatizing state companies, deregulating markets and converting from a rentier economy fueled primarily by oil revenues to a post- carbon private sector driven model.

The Kingdom's relatively new Professional Companies Law ("PCL") advances this agenda by creating a more investor-friendly range of investment options for foreign professionals and firms, in harmony with other initiatives to expand the range of activities open to 100% foreign ownership.

Regulatory Framework

Foreign professional companies seeking business in Saudi Arabia must obtain

- a foreign investment license from the Ministry of Investment (“MISA”),
- an appropriate professional license, and
- commercial registration under the PCL at the Ministry of Commerce (“MoC”) Professional Companies Registry, as follows:

Engineers, engineering technicians, and architects.

To practice their professions in the Kingdom, engineers, engineering technicians and architects, local or foreign, must be licensed by the Saudi Council of Engineers (“SCE”).

Construction Contractors.

To qualify to perform government contracts, domestic and foreign contractors must in theory be “classified” by the Classification Contractors Department of the Ministry of Municipalities and Rural Affairs (“MoMRA”).

Contractor classification has generally favored domestic over foreign contractors; only a handful of foreign companies have been classified. Government agencies typically seek to avoid this requirement, which they are free to ignore where no qualified local company is available.

Given challenges in obtaining MoMRA contractor classification, foreign contractors often depend on waivers available where no locally-classified firms are available, or team or subcontract with a classified Saudi partner.

Lawyers.

While in theory foreign lawyers, along with other professionals, should be free to register local entities in MoC’s Professional Companies Registry, this right has encountered a strong wall of protectionism.

An English firm seeking local registration in partnership with a Saudi attorney was

successfully challenged on the theory that jurisdiction over licensing and registration of attorneys and law firms rests exclusively with the Ministry of Justice, limiting foreign law firms to associations with local law firms as their only current option.

Accountants.

To register Saudi entities, accountants must first be licensed by the Saudi Organization for Certified Public Accountants.

Structure

Foreign applicants duly licensed by MISA license may register professional companies (“PCs”) in the MoC Professional Companies Registry under any category of entity allowed under the Saudi Companies Law, with a right to convert freely among business forms. Most take the form of limited liability companies, and multi-profession entities are allowed.

Foreign applicants may either register wholly-owned subsidiaries, or partner with appropriately licensed Saudi nationals or firms.

A minimum 70% of a PC’s owners must be licensed in the relevant profession.

A PC may designate one of its partners to serve as general manager, or delegate management authority to a board including 50%+ of its partners.

Partners who lose their licenses must resign or, with their partners’ approval, continue in non-professional capacities while deferring to the licensed partners for all issues requiring professional discretion.

Partners are jointly and severally liable for each other’s malpractice, as well as their own.

Limited Liability Company (“LLC”)

The majority of new PCs take the form of LLCs, subject to the following requirements.

1. Shareholders: 1-50.
2. Capital: No minimum, though typically SR100,000+ and sufficient for achieving objects.
3. Liability: Limited to shareholder equity.
4. Directors: 1+.
5. Ownership transfers require amendment of Articles of Association.

Joint Stock Company ("JSC")

JSCs have the following characteristics.

1. Shareholders: 1 possible for SR5 million+ capital, otherwise 2+.
2. Capital: SR500,000 minimum, sufficient for achieving objects.
3. Liability: Limited to shareholder equity.
4. Public subscription: May offer shares to public.
5. Directors: 3- 11.
6. Requires independent audit committee.
7. Easier to remove and add shareholders.

Temporary Commercial Registration ("TCR")

A foreign consultant or contractor awarded a government contract may register for TCR, which allows a presence limited to what is required to perform local contract obligations.

Engineering, Architecture and Construction

Mixed Foreign/Saudi

MISA license requirements for foreign professional companies seeking to partner with a Saudi individual or entity follow.

Professionals:

1. Foreign applicant's Certificate of Incorporation or equivalent.
2. Most recent financial statement.
3. Saudi partner's identity card, and online absher confirmation of professional credentials.
4. Licenses from competent licensing authority.

Non-professionals:

1. Individual foreign partner's identity document, and Saudi/GCC partners' national identity cards.
2. Corporate foreign partners' commercial registration certificate or equivalent.
3. Most recent financial statement.

Additional requirements:

1. 25%+ ownership by Saudi/GCC professionally licensed partner.
2. 30% limit on non-professional ownership.
3. Distinguished reputation for foreign partner.
4. 1+ professional(s) employed by foreign applicant licensed by competent home licensing authority.
5. Technical training plan for Saudi employees.
6. Licensing of foreign partner by competent foreign and Saudi authority, as applicable.
7. Disclose earlier MISA licenses, if any.
8. Saudi national identity / residency status for any partner, and commercial registration information for Saudi corporate partners.

100% Foreign-Owned

Applicants to provide engineering consultancy services as wholly foreign-owned entities must in applying for licensing by the SCE provide the following.

1. Proof of licensing and operations in 4+ jurisdictions.
2. Most recent financial statements.
3. 10+ years' professional experience.

Engineering, Procurement, and Construction ("EPC")

Foreign applicants for EPC licensing may register either as a 100% wholly foreign-owned entity or in partnership with a 25%+ Saudi partner, as follows.

Mixed Foreign/Saudi

To qualify for a MISA mixed foreign/Saudi EPC license, the foreign applicant must provide the following.

1. Commercial registration certificate or equivalent.
2. Most recent financial statements.

3. Saudi partner's Commercial Registration Certificate.
4. Saudi partner's national identity card and online absher confirmation of professional credentials.
5. Disclose any previous MISA license.
6. Personal identity cards for Saudi/GCC individual partners, or copies of commercial registration certificates for companies.

Wholly Foreign-Owned Entity

MISA currently licenses offshore firms for wholly foreign-owned EPC companies, based on the following.

1. Proof of similar licensing and work in four separate jurisdictions.
2. Previous year's financial statement.
3. Proof of 10 years' experience.

Construction Contractors

Construction contracting requires a MISA Service License, for which the following are required.

1. Certificate of incorporation or its equivalent for foreign entities, and commercial registration certificate for Saudi partners if any.
2. Most recent financial statements.
3. Disclose and explain any previous MISA license.
4. Personal identity cards for Saudi/GCC individuals, and CRs for Saudi companies.
5. absher online confirmation of professional credentials.

Concluding Reflections

While challenges remain for foreign investors in a still emergent commercial, financial and regulatory environment where protectionist instincts may often trump a WTO commitment to free trade and Vision 2030 hunger for foreign investment, the scope and appeal of the Saudi market for professional services has risen with the introduction of an ever-expanding array of gigaprojects and infrastructure initiatives, and opportunities abound for foreign investors prepared to protect their investments and projects with robust legal and ethical compliance programs.

Upcoming Holidays, Events, Webinars, and Conferences

- **USSBC Program:** For a schedule of upcoming U.S.-Saudi Business Council (USSBC) events and webinars see [here](#).
- **Red Sea Film Festival:** December 6-15
- **MIT Enterprise Forum:** March 2022

COVID-19 Status, Restrictions, Aid, and Enforcement

- **Status:** Saudi Arabia [reports](#) as of October 12, 2021, a sustained [decline](#) in COVID cases, with:
 - 55 new coronavirus cases daily, led by Riyadh, Jeddah, and Makkah;
 - 2,229 active cases, 547,704 cumulative;
 - 46 recoveries daily, 536,724 cumulative (>98% recovery rate);
 - 3 deaths daily, 8,751 cumulative (<2% fatality rate);
 - 44,052,493 vaccine doses administered (20,278,378 fully vaccinated).
- **Vaccines:** Saudi Arabia has approved the Pfizer, Oxford-AstraZeneca, Johnson and Johnson, and Moderna vaccines for [import and use](#). Health authorities have initiated a major vaccination campaign, which consists of [several phases](#) scheduled to be completed by late 2021. The stated goal is to reach [80% population immunity](#). The Ministry of Health has affirmed the safety of the mixing of vaccines [approved in the Kingdom](#). The Ministry of Health also allows those who have recovered from COVID to receive [two doses of a vaccine](#).
 - **Registration:** Vaccines are available for [citizens and residents](#). To register, use the “Tawakkalna” app.
 - **Booster Shots for Over 60s:** Saudi Arabia announced that people aged 60 and older will receive a third [COVID vaccine dose](#).
 - **Vaccines for Public Transportation:** Unvaccinated people are no longer allowed to use [public transportation](#).

Public Sector Updates

- **National Investment Strategy:** Saudi Arabia recently announced a new National Investment Strategy, which aims to inject over \$7 trillion into the national economy in the next decade, with \$2.7 trillion coming from [government spending](#). The Kingdom also seeks to attract foreign investment of over [\\$100 billion annually](#).

Corporate / Employment

- *No significant recent developments.*

Legal

- **Al Tamimi Legal Magazine:** For Al Tamimi Law's latest magazine issue (August 2021, focus is on technology, media, and telecom), see [here](#).
- **New Judicial Fees Law:** Saudi Arabia has approved a Royal Decree No. M16 on Judicial Fees (Judicial Fees Law), which introduces [court filing fees](#).
- **Money Laundering and Car Leases:** Saudi Arabia's efforts to combat money laundering have expanded to cover [car leases](#).

Visas, Travel, and Repatriation

- **Travel Resumes:** Saudi Arabia has lifted its ban on travelers from all countries except Ethiopia, Vietnam, Afghanistan, Egypt, Lebanon, Turkey, Brazil, India, Indonesia, and Pakistan.
 - **Travel Guidelines:** For an outline of travel guidelines to and from Saudi Arabia, see [here](#). For Saudia's travel guidelines, see [here](#).
 - **Visa Extensions:** The General Directorate of Passports (Jawazat) has clarified that exit and reentry visas of expatriates who are outside the Kingdom can be extended electronically through the employer's Absher or Muqem platform, after paying fees through the [SADAD payment system](#).
 - **Saudi Citizens:** Vaccinated Saudi citizens may also resume international travel, though they are banned from direct or indirect travel without prior permission to Libya, Yemen, Armenia,

Afghanistan, Syria, Iran, Somalia, Belarus, India, Lebanon, Turkey, Democratic Republic of the Congo, [and Venezuela](#).

- **Tawakkalna Requirements:** The General Authority of Civil Aviation (GACA) requires airlines operating in the Kingdom that boarding passes can only be issued to passengers who have either been vaccinated or have not been infected as registered in the [Tawakkalna application](#). GACA said that Tawakkalna is mandatory for entering airports and [boarding flights in the Kingdom](#).
- **Health Insurance Requirements:** Foreign visitors who come to Saudi Arabia are required to have health insurance coverage [against COVID-19 infection](#).
- **Institutional Quarantine Requirement:** All non-Saudi unvaccinated arrivals in the Kingdom must undergo a week-long institutional quarantine [starting May 20](#). Foreign visitors arriving by air from most countries are exempted from the quarantine [if they have been vaccinated](#). Approved vaccines are [Johnson & Johnson, Moderna, Pfizer, and AstraZeneca](#). Recipients of the Sinopharm and Sinovac vaccines require [booster doses](#).
- **COVID Test Requirement:** Non-Saudi travelers over eight years old must show a negative PCR Covid-19 test result [less than 72 hours old](#).
- **Immunization Portal:** Saudi Arabia has launched an online portal for travelers to [register immunization data](#).
- **Easing of Restrictions:** Saudi Arabia eased several of its [travel restrictions](#).
- **Saudia Improvements:** Skytrax announced today that Saudia is the [World's Most Improved Airline of 2021](#).

Business / Economy

- **General:**
 - **S&P Outlook:** S&P Global Ratings affirmed Saudi Arabia's A- credit rating with a stable outlook, expecting a rebound in growth through 2024 driven by higher oil prices, eased OPEC production quotas, and a [large vaccine rollout](#).

- **Improving Finances:** Saudi Arabia has revised its forecast for this year's budget deficit to 2.7% of GDP from 4.9% and is aiming to reduce its deficit to 1.6% of GDP in 2022 and this would switch to a [0.8% surplus in 2023](#).
- **Unemployment Decrease:** Unemployment declined to 6.6% in Q2 2021, compared with [9% during Q2 2020](#).
- **Non-Oil Growth:** A surge in new orders helped Saudi Arabia's non-oil private sector to expand at the [fastest rate in seven years](#).
- **Finance, Insurance, Investment, and Sovereign Wealth:**
 - **PIF STC Sale:** The Public Investment Fund (PIF) is considering selling part of its 70% stake in Saudi Telecom Co while [retaining majority ownership](#).
 - **PIF Emaar Stake:** The PIF has completed the acquisition of a 25% stake in [Emaar The Economic City](#).
- **Real Estate, Construction, Infrastructure, and Megaprojects:**
 - **Riyadh Housing Deal:** A deal has been signed to provide 5,000 new homes for [needy families in Riyadh](#).
- **Industry, Utilities, Desalination, and Logistics:**
 - **Etihad Rail Linkage:** Etihad Rail has completed the construction of a 139km stretch of the UAE's national railway project that [connects with Saudi Arabia](#).
 - **FedEx Investments:** FedEx Express will invest \$400 million into the Saudi economy over the next 10 years through talent management and [local operations and infrastructure](#).
- **Defense:**
 - *No significant recent developments.*
- **Tourism, Hospitality, Culture, and Entertainment:**
 - **Asir Development:** Crown Prince Mohammed Bin Salman has announced the \$13 billion "Arabian Highland" strategy to develop the Asir region into a tourist destination, with plans to attract [10 million visitors by 2030](#).

- **Hotel Rates Surge:** Hotel room rates in Riyadh have surged to their highest level after the Kingdom [resumed international flights](#).
- **Retail, Luxury, and E-Commerce:**
 - *No significant recent developments.*
- **Religion:**
 - **Biometric Visa App:** Saudi Arabia has launched a smartphone app requiring biometric inputs to obtain visas for [Hajj and Umrah pilgrims](#).
- **Education:**
 - **Student Vaccines:** The Ministry of Education has issued a directive requiring non-vaccinated children to [study remotely](#).
- **Healthcare:**
 - *No significant recent developments.*
- **Technology and Telecom:**
 - **Digital Content Investments:** Saudi Arabia will allocate \$1.2 billion to develop its [local digital content industry](#).
- **Food and Agriculture:**
 - *No significant recent developments.*
- **Natural Resources, Mining, and Environment:**
 - *No significant recent developments.*
- **Oil and Energy:** Oil prices most recently [stood](#) on October 12 at \$82.17 pbb for Saudi oil (Arab Light) and \$80.42 pbb for West Texas Intermediate (WTI).
 - **Arabian Sun:** For Aramco's most recent weekly newsletter (October 6) see [here](#).
 - **Aramco Valuation:** Aramco reached a \$2 trillion valuation as it hit near-record levels, putting it behind Apple and Microsoft as the [world's most valuable company](#).

- **Aramco Expansion Plans:** Aramco plans to complete its 1 million barrel per day (bpd) oil output expansion project by 2027 to bring its total production to [13 million bpd](#).
- **Aramco Pipeline Loan:** Aramco has asked banks to arrange a loan expected to be in the \$12 billion-14 billion range that it plans to offer to buyers of its [gas pipeline network](#).
- **ACWA IPO:** ACWA Power International surged on its debut in Riyadh after raising more than \$1.2 billion in the largest Saudi listing [since Aramco](#).
- **Foreign Energy:** Saudi Arabia will require foreign energy companies to boost local input to at least 70% in order to [secure government contracts](#).

Geopolitical

- **Egypt Grid Connection:** Saudi Arabia and Egypt signed an electric grid interconnection project [worth \\$1.8 billion](#).
- **BEIN Ban Reversed:** Saudi Arabia has reversed its decision to ban beIN Sport- the Premier League's official Middle East broadcaster- from [operating in the country](#).
- **Yemen:** Houthi forces continue to target Saudi Arabia with [drones and missiles](#).

GCC

- **Pakistan Trade Deals:** A Pakistani official stated his country will pursue individual trade deals with [Saudi Arabia, the UAE, and Oman](#).
- **UAE:**
 - **IMF Outlook:** The IMF predicts the UAE will experience a gradual economic recovery, thanks in part to its strong response to the coronavirus crisis and a [rebound in tourism](#).
 - **Turkey Investments:** Abu Dhabi wealth funds are weighing investments in Turkey [worth billions](#).

- **Bond Sale:** The UAE federal government is expected to raise between \$3 billion and \$3.5 billion from its dollar-denominated [debut bond sale](#).
- **Space Probe:** The UAE announced plans to send a probe to land on an asteroid [between Mars and Jupiter](#).
- **Qatar:**
 - **Qatar Airways Losses:** Qatar Airways announced it suffered over \$4 billion in lost revenues [over the past year](#). The Qatari government provided the company \$3 billion in aid to help [offset losses](#).
 - **OPEC Prospects:** Qatar's Energy Minister stated the country will not rejoin OPEC because trying to sway global oil prices [does not fit with its strategy](#).
 - **Elections:** Qataris voted in the country's first legislative elections for two-thirds of the advisory Shura Council, with a [63.5% voter turnout](#).
 - **Economic Growth:** Qatar's economy grew 4% year-on-year in Q2 2021, fuelled mainly by the [non-hydrocarbon sector](#).
 - **Chinese LNG Ship Order:** Qatar ordered four new liquefied natural gas tankers worth more than \$762 million from a [Chinese shipbuilder](#).
- **Kuwait:**
 - **Expat Departures:** Kuwait's labor market lost 199,000 non-Kuwaiti workers from over 15 different activities between [March 2020 and March 2021](#).
 - **Schools Reopen:** Kuwait has reopened schools with strict precautions after an [18-month shutdown](#).
 - **Women in Combat Roles:** Kuwaiti women will be allowed to enlist in the military in combat roles [for the first time](#).
- **Bahrain:**
 - **Travel Restrictions Reduced:** Bahrain has removed 11 more countries from its travel red list, including South Africa, Namibia, Uganda, Mozambique, Zimbabwe, Malawi, Bangladesh, Indonesia, Myanmar, Georgia, [and Ecuador](#).

- **Fitch Outlook:** Fitch Ratings stated that a reboot of Bahrain's Fiscal Balance Programme (FBP), including a rise in the VAT rate, could improve the trajectory of the country's [public finances](#).
- **NOGA Abolition:** The King of Bahrain issued a royal decree abolishing the National Oil and Gas Authority (NOGA) and transferring its functions to the [Ministry of Oil](#).
- **Oman:**
 - **S&P Outlook:** S&P Global Ratings has revised its outlook on Oman to positive from stable due to higher oil prices and [fiscal reform plans](#).
 - **Deficit Shrinks:** Oman posted a year-to-date budget deficit of around \$2.60 billion in August, a 46.2% annual decline [in its fiscal shortfall](#).

Other

- **Miscellaneous:** For earlier developments, see [here](#).

Resources

- [Previous Newsletters](#)
- [Ministry of Health Dashboard](#)
- [Ministry of Health Coronavirus Guidance](#)
- [New Companies Law \(English\)](#)
- [Chamber of Commerce Global Policy Dashboard](#)
- [Ministry of Investment Guide to Business Continuity](#)
- [US-Saudi Business Council](#)
- [Saudi-US Trade Group](#)

- [American Community of Saudi Arabia Newsletters](#)
- [US Embassy in Saudi Arabia](#)
- [US State Department Travel Information](#)

We will be happy to provide more specific advice in the context of particular circumstances, concerns, and priorities; please let us know.

Christopher H. Johnson, Managing Attorney

Disclaimer: While the above information was gathered from sources believed to be accurate at the time, we cannot be responsible for errors due to human or technical error.

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