

INTERNATIONAL COMPANIES ARE MOVING THEIR RHQS TO THE KINGDOM AS SAUDI ARABIA'S RHQ RULES AND RHQ TAX RULES COME INTO FORCE

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In February 2021, the government of the Kingdom of Saudi Arabia (the “KSA”) announced that by 2024 it would cease doing business with international companies whose regional headquarters (“RHQ”) were not based within the country. The region is defined by the Ministry of Investment (“MISA”) as the Middle East North Africa (“MENA”) region.

Pursuant to MISA’s Investment Manual, an RHQ is a unit of a multinational group duly established under the laws of the KSA, “for the purpose of supporting, managing, and providing strategic direction to its branches, subsidiaries, and affiliates operating in the MENA region.”



credit: arabnews

THE RHQ RULES:

Starting from January 1, 2024, this requirement has come into force. New Controls for Contracting with Firms that do not have Regional Headquarters in the Kingdom and Related Parties (the “RHQ Rules”) were issued subsequently. Government entities are prohibited from contracting with companies (or their related parties) that do not have their RHQs in the KSA, unless exempted under the RHQ Rules.

The RHQ Rules exclude contracts whose estimated cost does not exceed SAR 1 million, or that are conducted outside the KSA. The RHQ Rules also permit governmental entities to accept offers submitted by companies without RHQs in the KSA in the following two scenarios:

1. **When there is no more than one technically acceptable offer.**
2. **When the offer is the best out of all offers, and is 25% or more, less than the second-best offer.**

THE RHQ LIST

MISA, in coordination with the Ministry of Finance and the General Authority for Foreign Trade, will prepare a periodically updated list of Companies with no RHQ in the KSA and publish it in the government procurement unified electronic portal (“Etimad”). Companies on the list shall not be awarded government projects, unless exempted under the RHQ Rules.

GETTING THE RHQ LICENSE

The Ministry of Investment (“MISA”) issued its guidance to obtaining the RHQ License of establishing an RHQ in the Kingdom. The RHQ must be a centre of administrative control and not engage in revenue generating activities. Within a year of obtaining the RHQ license, the RHQ must employ at least 15 full-time employees, including at least three C-level executives.

TAX AND OTHER INCENTIVES ATTRACTING INTERNATIONAL COMPANIES

On December 5, 2023, MISA announced that there will be tax incentives for companies having RHQ in the KSA. On February 16, 2024, the Regional Headquarters Tax Rules (the “RHQ Tax Rules”) were issued on the official gazette. Effective as of the date of its publication, the new rules state that companies having RHQ licenses in KSA will enjoy, for 30 years subject to renewal, zero percent tax on eligible activities (i.e., 0% corporate income tax rate and 0% withholding tax rate related to eligible RHQ activities only).

INTERNATIONAL COMPANIES GETTING THEIR RHQ LICENSES

With the RHQ Rules and the RHQ Tax Rules coming into force alongside other incentives, more than 200 international companies, including Amazon, Microsoft and Google among other firms, have already received their RHQ licenses from MISA to establish their RHQs in Riyadh.

Contact us for further information



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