

CIVIL TRANSACTION LAW OF THE KINGDOM OF SAUDI ARABIA

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The Kingdom of Saudi Arabia has made a significant advancement in its legal framework by enacting the first Civil Transactions Law in the Kingdom (the “CTL”) which came into effect on December 16, 2023.



The CTL represents a substantial shift in the legal landscape of Saudi Arabia, as it codifies various principles of Islamic Law (Shari'ah) into a single set of code. With its 721 articles covering civil relationships, the CTL is one of the largest legislative issuances in the country's history and is seen as a cornerstone of Saudi Arabia's Vision 2030 reform plan to create a market that is attractive to local and foreign investors and align the governance of day-to-day transactions closer to international best practices. It also assimilates various international treaties and agreements to which Saudi Arabia is a party.

Below, we will speak generally about the CTL and its importance. As the CTL is a long legislation, we will issue other insights covering different subjects covered by the law.

HIGHER LEVEL OF PREDICTABILITY

The CTL aims to provide a higher level of certainty and predictability in commercial transactions. The CTL covers a wide range of areas within business transactions that were not codified before including parties' rights and obligations under general and specialist contracts, property rights, financial transactions, torts, damages and more. By codifying various principles of Islamic Law (Shari'ah) into a comprehensive civil code, the CTL aims to provide greater predictability and clarity in the application of transactions law in the Kingdom, as it reduces the discretionary application of Shari'ah principles by courts and judicial committees.

RETROSPECTIVE EFFECT

One of the notable features of the CTL is its retrospective effect. Unlike previous laws where they typically applied prospectively, the CTL applies retrospectively, meaning it applies to contracts signed before the CTL's effective date, unless:

- a party has relied on a previous statutory provision or judicial principle that contradicts the provisions of the CTL; or
- a statutory provision provides for a statute of limitation that has commenced prior to the CTL coming into effect.

ISLAMIC LAW (SHARI'AH) MAXIMS

For situations not explicitly covered by the CTL's articles or where further clarity is needed, CTL's Article 720 provides 41 Shari'ah jurisprudential rules, offering a structured approach to filling legal gaps, to the extent that it does not conflict with other legal provisions.

CONCLUSION

The enactment of the CTL reflects Saudi Arabia's commitment to modernizing its legal system and enhancing its business environment as part of Vision 2030. The CTL's introduction is a strategic move to attract investments and streamline the governance of civil transactions. By providing a more predictable legal environment, the CTL is poised to enhance the attractiveness of the Saudi market to both local and foreign investors, thereby contributing to the country's economic growth and development.

Contact us for further information



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