

**Middle East North  
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**SAUDI ARABIA: FOREIGN CORPORATE TAX RATE**

Saudi Arabia cuts foreign corporate Tax Rate to 20%

On January 12, 2004 the Saudi Council of Ministers approved an amendment to the Kingdom's tax code that will reduce the tax on foreign investments from 30 percent to 20 percent. The new tax rate will come into effect 90 days after the amendment is published in the official gazette. The new rate applies to profits on foreign (Non-GCC) investments in Saudi Arabia and the foreign share of a joint venture in the Kingdom. The new legislation replaces a tiered system with a single rate. Saudi's continue to enjoy a distinct advantage over foreign investors, continuing to pay a flat 2.5 percent Zakat on their portion of the net worth of a firm or an investment.

The new legislation will allow for losses to be carried forward to future years, provides for modified depreciation, and will clarify the method used to calculate foreign ownership of shares in Saudi ventures. The lower tax rate is intended to pull in more investment by making the kingdom more attractive to foreign companies. The new legislation applies only to investments and corporate profits. There are currently no plans for an individual income tax on expatriates.

Information Source: **Trade Information Center**

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