

---

# Saudi Arabia introduces several changes to localisation policies, labour market testing, and the Nitaqat framework

October 2017

---

## In brief

With Saudisation percentages being increased under the revised Nitaqat framework, Saudi Arabia's Ministry of Labour and Social Affairs (MOLSA) have also introduced several other initiatives to aid implementation. Key changes include the implementation of a "Parallel Saudisation" mechanism, changes to company classification, and updates to sponsorship privileges.

---

## In detail

With Saudisation percentages being increased under the revised Nitaqat framework, Saudi Arabia's Ministry of Labour and Social Affairs (MOLSA) have also introduced several other initiatives to aid implementation. Key changes include:

### "Parallel Saudisation"

A new system, referred to as "Parallel Saudisation," allows entities that do not currently meet the relevant Saudisation requirements to still apply for a block visa by paying a penalty. The penalty is calculated on the basis of a formula that takes into consideration the entity's current Saudisation, the required Saudisation (as per the entity's industry and headcount), and other factors pertaining to the availability of local Saudi resources suitable for the role; however, the exact calculation methodology has not been released to the public as of yet.

### Changes to definitions of company size

Saudisation requirements are based on company industry and number of employees. Larger companies must adhere to higher Saudisation percentages. Companies will now be classified as follows for Nitaqat purposes:

Company size	Number of employees
Small	6 – 49
Medium A	50 – 99
Medium B	100 – 199
Medium C	200 – 499
Large	500 – 2999
Giant	3000+

Companies with less than six employees are not subject to Nitaqat, but must still employ at least one Saudi national employee to avoid any restrictions on sponsorship privileges (previously companies that employed 10 or less individuals were not subject to Nitaqat).

## **Changes to sponsorship privileges**

- Only entities that are ranked “platinum” and “high green” will be able to apply for block visas – previously entities ranked “green” could apply as well.
- “Platinum” and “high green” entities will only have to advertise jobs locally (through the Taqat portal) for one week (previously jobs had to be posted for as long as 45 days).
- Only “platinum”, “high green” and “green” entities will be able to “receive” transferred employees. “Yellow” and “red” entities can “send” employees to higher-ranked entities, but cannot transfer employees to their headcount.
- “Platinum”, “high green”, and “green” entities can renew employees’ work permits without limitation. “Yellow” entities will be prevented from renewing work permits beyond two years, and “red” entities cannot renew work permits at all.

## ***The takeaway***

We believe it is more prudent for companies to continue to build their Saudi headcount to improve their Nitaqat ranking and not solely rely on the Parallel Saudisation mechanism. The decision to introduce this mechanism will likely have an impact on mobility in the region. It should be noted that the Parallel Saudisation mechanism does not override any other requirements for obtaining sponsorship privileges, key among which is the presence of a valid local business contract to support a block visa application.

Companies operating in the region should also be mindful of their revised Saudisation rating (if any) and make note of the above changes when planning for their mobility and HR needs.

## ***PwC Middle East Tax and Legal contacts***

Dean Kern, *Dubai*  
*Middle East Tax and Legal*  
*Services Leader*  
+971 (0) 4 304 3575  
[dean.kern@pwc.com](mailto:dean.kern@pwc.com)

Jonathan Gibson, *Dubai*  
*Middle East Legal Services Leader*  
+971 (0) 4 304 3424  
[jonathan.s.gibson@pwc.com](mailto:jonathan.s.gibson@pwc.com)

Anir Chatterji, *Dubai*  
*Senior Manager*  
+971 (0) 4 304 3922  
[anir.chatterji@pwc.com](mailto:anir.chatterji@pwc.com)

© 2017 PwC. All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details. This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers (Dubai Branch), its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.