

# Saudi Arabia: Establishment of four new Special Economic Zones

April 2023





## In brief

On 14 April 2023, the Saudi government announced the establishment of four new Special Economic Zones (SEZs) across various regions of the country.

These new SEZs aim to offer competitive incentives for businesses who will invest in such zones, most notably of which are as follows:

- 5% Corporate Income Tax rate for up to 20 years;
- 0% withholding tax on repatriation of profits from SEZ into foreign countries;
- Customs duties deferral for goods inside SEZ or 0% Custom duties on capital equipment and inputs inside SEZ;
- Flexible and supportive regulations around foreign talent during first 5 years;
- 0% VAT for all intra-SEZ goods exchanged within and between the SEZs;
- Special tax treatment in line with OECD principles to avoid double taxation;
- Competitive rate of utilities notably electricity;
- Exemption from operational fees for employees and their families within SEZ.

The zones will have their own focused areas based on the location and circumstances of the respective zone. Separate contact lines and communication channels have been established for the investors to register their interest and to acquire further information as required.

## In detail

The move of establishment of free zones aims to accelerate the economic diversification as well as attract global investors to do business in the Kingdom. These SEZs have special commercial regulations for supporting a wide range of industrial sectors and business activities which are based on their respective jurisdictions and business circumstances.

The new SEZs reinforce and further support the Kingdom's vision to be a global business hub and will contribute to achieving the Kingdom's economic development goals according to Vision 2030.

The newly established economic zones are as follows:

- King Abdullah Economic City (KAEC) SEZ
- Jazan SEZ
- Ras Al Khair SEZ
- Cloud Computing SEZ located in King Abdulaziz City for Science and Technology (KACST)

Further details regarding focused sectors as well as incentives of each SEZ are provided below.



The new SEZs aim to provide distinct investment opportunities, supported by an integrated and developed rules and regulations framework that are special for economic activities to be conducted in these SEZs.





## Key Attributes of the Special Economic Zones

Special Economic Zone	Focused Sectors	Commercial incentives
King Abdullah Economic City SEZ located in Makkah province having a size of 60km <sup>2</sup>	<ul style="list-style-type: none"><li>● Automobile supply chain and assembly</li><li>● Consumer goods</li><li>● ICT (Electronic light manufacturing)</li><li>● Pharmaceutical</li><li>● MedTech</li><li>● Logistics</li></ul>	<ul style="list-style-type: none"><li>● 5% Corporate Income Tax up to 20 years</li><li>● 0% withholding tax permanently for repatriation of profits from SEZ into foreign countries</li><li>● 0% customs duties for goods inside the SEZ</li><li>● Flexible and supportive regulations around foreign talent during first 5 years</li><li>● 0% VAT for all intra-SEZ goods exchanged within and between zones</li><li>● Exemption from applicable fees on expats and families</li></ul>
Ras Al-Khair SEZ located in Eastern province having a size of 20km <sup>2</sup>	<ul style="list-style-type: none"><li>● Shipbuilding and MRO</li><li>● Rig platforms and MRO</li></ul>	<ul style="list-style-type: none"><li>● 5% Corporate Income Tax up to 20 years</li><li>● 0% withholding tax permanently for repatriation of profits from SEZ into foreign countries</li><li>● 0% customs duties for goods inside the SEZ</li><li>● Flexible and supportive regulations around foreign talent during first 5 years</li><li>● 0% VAT for all intra-SEZ goods exchanged within and between zones</li><li>● Exemption from applicable fees on expats and families</li></ul>



## Key Attributes of the Special Economic Zones (cont'd)

Special Economic Zone	Focused Sectors	Commercial incentives
<p>Jazan SEZ located in Jazan province having a size of 24.6Km<sup>2</sup></p>	<ul style="list-style-type: none"> <li>● Food Processing</li> <li>● Metal conversion</li> <li>● Logistics</li> </ul>	<ul style="list-style-type: none"> <li>● 5% Corporate Income Tax up to 20 years</li> <li>● 0% withholding tax permanently for repatriation of profits from SEZ into foreign countries</li> <li>● 0% Customs duties on capital equipment and inputs inside SEZ</li> <li>● Flexible and supportive regulations around foreign talent during first 5 years</li> <li>● 0% VAT for all intra-SEZ goods exchanged within and between zones</li> <li>● Exemption from applicable fees on expats and families</li> </ul>
<p>Cloud Computing SEZ located at Innovation Tower at King Abdulaziz City for Science and Technology, Riyadh</p>	<ul style="list-style-type: none"> <li>● Cloud Computing Services</li> </ul>	<ul style="list-style-type: none"> <li>● Special tax treatment in line with OECD principle to avoid double taxation and accommodates CSPs operating model</li> <li>● Electricity available at a competitive rate of 0.05 USD/kWh for businesses</li> <li>● Exemption from applicable fees on expats and families</li> <li>● Flexibility to provide cloud computing services from SEZ, with the ability to build and operate data centers from all over the kingdom.</li> </ul>

# The takeaway

The establishment of four new special economic zones represents a long-term program aiming to attract and encourage foreign direct investment as well as talent in order to promote business development activities in the Kingdom by creating a world class infrastructure and provision of distinct investment opportunities and incentives.

If you wish to find out more about the salient features of these zones, feel free to reach out to us for support.

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## Let's talk

For a deeper discussion of how this issue might affect your business, please contact:

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