

Regional Headquarters in KSA



Make sure you are taking action to continue to enjoy the ability to bid for government projects

29 January 2024

RHQ Programme now in force!

The Regional Head Quarter Programme is now in force, having passed the due date for implementation of 1 January 2024. Below is a high level summary of considerations for businesses to be aware of in order to bid for government contracts.

In Brief

The RHQ Programme is a 'Vision 2030' initiative jointly developed by the Ministry of Investment Saudi Arabia "MISA" and the Royal Commission for Riyadh City "RCRC" with the objective of encouraging global companies to establish or relocate their regional headquarters to KSA.

An RHQ is defined as "a unit of a multinational group that is duly established under the laws of KSA for the purpose of supporting, managing and providing strategic direction to its branches, subsidiaries and affiliates operating in the Middle East and North Africa "MENA region".

Having worked closely with in excess of 40 clients on their RHQ journey from initial advice on structuring and operation of the programme through to operation of an RHQ entity in Saudi Arabia, we are in a position to share valuable insights and support you in terms of advice as to whether the programme requires some action on your part, and if so what is the most efficient means of meeting the requirements.

Our ask

Consider whether some or all of the requirements set out below are relevant to your business in Saudi Arabia:

1. Do you supply goods or services to government agencies (meaning government entities and potentially quasi governmental entities) directly or indirectly?
2. Are your contracts typically in excess of SAR 1M in value?
3. Do you have more than 2 entities operating outside of Saudi Arabia?

If you have answered yes to the above questions, you will likely need some sort of support in relation to the RHQ programme, this may include:

- a. Getting a better understanding of the RHQ programme and confirming your eligibility.
- b. Establishing/relocating your regional headquarters to KSA.
- c. Understanding the post establishment compliance and tax obligations of the RHQ programme.
- d. Seeking an exemption from MISA in appropriate circumstances where your company cannot comply or should not be required to.
- e. Develop a robust Transfer Pricing ("TP") policy to ensure that the functional profile, legal agreements, and documentation of the RHQ align with the RHQ requirements and qualifying activities.
- f. TP policy should reflect the pricing of the arrangement based on appropriate arm's length analysis.
- g. Putting in place an intercompany legal agreement to cover the services performed by the RHQ.

Wherever you are on that spectrum, PwC has the right team of experts to assist you through the RHQ journey and ensure that you continue to be able to access government contracts and leverage your commitment to the Kingdom.

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