



Draft RHQ Rules Key Takeaways

September 2025



In brief

- The Regional Headquarters (RHQ) Program is a Vision 2030 initiative jointly developed by the Ministry of Investment (MISA) and the Royal Commission for Riyadh City (RCRC). The RHQ Program was launched in 2021 with the objective of encouraging multinational companies to set up or relocate their RHQ to KSA.
- A **draft** of the Rules regulating the licensing and supervision of the activities of regional headquarters of Multinational companies (**Draft Rules**) was issued in **September 2025** and is open for public consultation until **9 October 2025**.
- We have listed below a summary of some key changes set out in the Draft Rules. Please note that the Draft Rules may be subject to change upon the approval and issuance of the final version of the Rules.

In detail

Definitions / Licensing Requirements

- 'Multinational Company' has been defined as a foreign multinational company whose head office was not established in accordance with KSA Companies Law; this includes Gulf companies that doesn't have a GCC national shareholder, and companies whose head office is in the MENA region and has another entity that practices the activity of the regional headquarters in the MENA region at least.
- RHQ must be a separate entity in KSA and the main administrative reference for all for all the branches and subsidiaries of the multinational company in the MENA region (as a minimum).
- Companies must submit a business and activation plan for the RHQ at the time of licensing.
- Subject to the applicant providing MISA with a complete application, RHQ Licenses are expected to be issued within 30 days.
- In special cases where the criteria for licensing cannot be met, it is possible to apply for an exemption from one or more of the licensing criteria (subject to MISA's discretion).

Timelines

- *6 months* to complete the full incorporation process from the date of issuance of the MISA RHQ License.
- *1 year* to activate the mandatory activities and at least 3 optional activities.

Shareholding: The RHQ may own companies inside and outside the KSA (in whole or in part) and participate in establishing subsidiary companies of the multinational company, in accordance with the applicable regulations in the KSA and the requirements of the relevant regulatory authorities.

Scope of practicing the RHQ activities

- The RHQ activities shall be exclusively practiced in the KSA and the RHQ shall be the highest executive, administrative, and strategic authority in the MENA region (as a minimum).

Employment & Staffing

- The RHQ employees must be permanently dedicated to the work of the RHQ. They must also maintain a valid work permit in the KSA and their full salaries must be paid to their bank accounts in KSA via the local bank account of the RHQ. All employees must have a non-temporary residence in the Kingdom and the Kingdom shall be their main residence.
- The selected 3 C-Suites should be the most senior executives in the MENA region and administratively linked to all the executives of the subsidiaries and branches of the multinational company in the MENA region. In the event that there are multiple executives responsible for the RHQ's activities, all of them must be included within the staff of the RHQ.
- All the RHQ employees must have relevant experience, and their responsibilities must be aligned with the RHQ's activities, with the MENA region being their minimum scope of coverage.

Tax Incentives

- The Draft Rules confirm previously announced tax benefits aligned with rules issued by the Zakat, Tax and Customs Authority (ZATCA) (from November 2023).
- RHQs enjoy favorable tax treatment as long as compliance is maintained including a proper transfer pricing policy to determine the income of the RHQ.

Supervision and ongoing compliance

- MISA shall conduct an evaluation of an RHQs compliance with the statutory requirements one year from the license issuance date. Subsequently, MISA shall conduct an annual evaluation – or whenever it deems appropriate – to ensure that the statutory requirements and human resources requirements are met and the RHQ is activated.
- RHQs must submit annual reports and updates on the RHQ operations/activities to MISA.
- The website of the multinational company, and the official documents and addresses of its branches and subsidiaries in the MENA region must clearly state that the regional HQ of the multinational company is in the KSA.
- The RHQ must provide an update to MISA regarding the activation plan within 6 months from the RHQ license issuance date. Moreover, MISA must be provided with details of any updates to the information submitted during the RHQ MISA application; this includes, for example, updates on the geographical scope, changes in the executives, business plans, or expansion plans.
- MISA may suspend the incentives granted to the RHQ (in whole or in part) in case it determines that the RHQ is not compliant with the provisions of the relevant regulations and the Draft rules.

Penalties for non-compliance

Penalties include license suspension in case the non-compliance was not rectified within the timeline specified in the warning notice, followed by a license cancellation if the non-compliance was not rectified within 90 days from the suspension date.

Violations include but are not limited to:

- Missing incorporation or activation deadlines.
- Suspending any of the RHQ activities without obtaining the prior approval of MISA.
- Failure to meet any of the license statutory requirements
- Failure to employ the required staff within the deadline.
- Conducting the RHQ activities from outside Saudi Arabia.
- RHQ employees' practicing activities outside the scope of the RHQ activities.
- Not updating MISA on brand/trademark changes

Key takeaway

The Draft Rules, should be carefully considered both by: (1) companies with an existing RHQ in KSA; and (2) companies which may look to establish an RHQ in KSA in the future.

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