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Saudi Arabia's Investment Law Reform: Implications for Foreign Investors

Saudi Arabia's legal framework for foreign investment has undergone a significant transformation with the enactment of the Investment Law of 2024 (Royal Decree replacing the Foreign Investment Law of 2000). This legislative shift reflects the Kingdom's ongoing commitment to diversifying its economy under Vision 2030 and strengthening its attractiveness to global investors. While the new law introduces key modernizations, questions remain regarding its practical implementation and its ability to address long-standing concerns of foreign investors.

This blog provides a comparative analysis between the repealed Foreign Investment Law (Royal Decree No. M/1 dated 05/01/1421H) and the newly adopted Investment Law (2024), focusing on the legal, operational, and strategic implications for international investors.

I. Legislative Framework and Key Objectives

The Foreign Investment Law served as the foundational statute enabling foreign investment in the Kingdom. It defined rights such as national treatment (Article 6), capital repatriation (Article 7), and protection from expropriation (Article 11). However, the law was procedural in nature and lacked comprehensive guidance on investor obligations, transparency mechanisms, and regulatory coordination. By contrast, the new Investment Law (2024) presents a broader and more principles-based approach. As stated in Article 2, its objectives include enhancing the competitiveness of the investment environment, facilitating capital movement, ensuring equal treatment, and promoting procedural transparency.

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2. Legislative Framework and Key Objectives

Under the repealed law, Article 6 guaranteed foreign investors equal privileges and incentives as those enjoyed by Saudi nationals.

The new law strengthens this commitment in Article 4(1)(a), stipulating that "local and foreign investors shall be treated equally under similar circumstances." Furthermore, Article 4(1)(b) ensures fair and just treatment, while Article 4(1)(c) guarantees that no investment may be expropriated or confiscated except for public interest, with fair compensation and legal due process.

This shift toward enforceable rights under a unified investment regime signals a move closer to international best practices, aligning with provisions found in bilateral investment treaties (BITs) and multilateral standards.

3. Capital Mobility and Repatriation

Under the old regime, Article 7 permitted foreign investors to repatriate profits and capital. This principle remains central in the new law, but with more comprehensive articulation.

Article 4(1)(d) of the Investment Law guarantees the right to transfer funds inside or outside the Kingdom without delay. This includes investment proceeds, profits, and liquidation returns, through any legal channel and in any recognized currency.

This enhanced clarity is a positive development. However, practical obstacles such as regulatory approval delays, tax assessments, and banking compliance procedures may still hinder full realization of this right.

4. Investment Scope and Excluded Activities

The Foreign Investment Law (Article 3) delegated to a ministerial committee the authority to define a list of excluded activities. However, the process lacked transparency and consistency, leading to investor uncertainty.

The new law maintains this concept in Article 8, stating that the competent authority shall issue and publish a list of excluded activities. Notably, Article 8(2) now mandates prior approval for foreign investment in restricted sectors, and Article 8(3) requires Ministry approval for any change in ownership related to those sectors.

This procedural formalization improves transparency. However, a consolidated, regularly updated exclusion list—and a structured appeals process—would enhance investor confidence.

5. Registration, Licensing, and Transparency

One of the notable advancements under the new regime is the institutionalization of investor registration. Article 7(1) introduces a National Investment Register managed by the Ministry, consolidating investor data and enabling improved oversight.

Foreign investors must now register before commencing any investment activity, as stipulated in Article 7(2). This registration is separate from obtaining licenses and applies to all sectors except capital markets (regulated under the Capital Market Law).

This structural reform marks a significant step forward in regulatory clarity and investor accountability.

6: Investment Incentives and Compliance

The previous law was largely silent on structured incentives. The new Investment Law, however, introduces Article 6, which authorizes competent authorities to grant investment incentives based on objective eligibility criteria. This provision allows for industry-specific support, including tax exemptions, land allocation, or reduced regulatory fees—subject to regulatory oversight.

At the same time, Article 5 imposes clear obligations on investors to comply with Saudi laws, including international agreements.

The dual structure of rights and duties under the new regime introduces balance, while still requiring clearer guidelines for eligibility and enforcement of incentives.

7: Dispute Resolution and Legal Recourse

The old law addressed disputes in Article 13, allowing amicable settlement and legal recourse through domestic courts.

The new Investment Law reinforces dispute resolution mechanisms in Article 10, allowing parties to agree on alternative dispute resolution (ADR) methods, including arbitration, mediation, and conciliation. Where no agreement exists, disputes may be settled in competent Saudi courts.

While this provision aligns with global investor expectations, enforcement of foreign arbitral awards remains subject to scrutiny under local enforcement law, particularly regarding compatibility with Sharia and public policy.

8: Enforcement and Penalties

The new law introduces a more structured penalty regime. Under Article 11, non-serious violations of Articles 7 or 8 will result in notification and a grace period for correction. Persistent or serious violations may result in a warning, a fine up to SAR 300,000, or cancellation of registration.

Moreover, Article 11(4) empowers the Minister to form a committee to adjudicate penalties, considering the severity and frequency of violations and the size of the enterprise.

This represents a significant improvement in procedural clarity and proportionality of penalties compared to the older framework.

9: Outstanding Legal Gaps and Areas for Reform

Despite the substantial improvements under the new law, several challenges remain unaddressed:

1. Judicial Interpretation and Enforcement – The law's practical impact depends heavily on judicial interpretation, particularly in enforcing investor rights under expropriation and arbitration clauses.
2. Sectoral Coordination – While the Ministry of Investment serves as the central authority, many sectors are regulated independently (e.g., healthcare, energy, telecom). Coordination remains fragmented.
3. Tax Clarity – The law does not elaborate on tax treatment of foreign investors beyond referencing applicable laws. Detailed integration with ZATCA's processes is essential.
4. Labor Market Policies – Saudization quotas and employment regulations are not explicitly addressed in the law, creating compliance risks for foreign companies.
5. Appeals and Review Mechanisms – The law could be improved by establishing a formal appeals board or mechanism for contesting administrative decisions.

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10. Conclusion: Strategic Implications for Foreign Investors

The repeal of the Foreign Investment Law and its replacement with the 2024 Investment Law marks a legal and strategic milestone in Saudi Arabia's investment climate.

For foreign investors, the new law offers:

- Greater legal clarity and rights protection;
- Access to streamlined registration and licensing;
- Improved transparency in sectoral restrictions;
- Legally grounded dispute resolution mechanisms.

However, gaps remain in implementation, inter-agency coordination, and predictability. Legal practitioners must monitor the issuance of implementing regulations, assess sector-specific nuances, and engage proactively with authorities.

Law firms advising foreign investors should adopt an integrated advisory model—merging legal, regulatory, and operational insights. By doing so, they can enable clients to not only navigate compliance but also capitalize on the strategic opportunities presented by the Kingdom's evolving legal landscape.

"Is your business prepared to navigate the implications of Saudi Arabia's updated investment laws? "

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