Rödl & Partner

INVESTMENT GUIDE
KINGDOM OF SAUDI ARABIA

Overview of Investment and Tax Regulatory Framework

2021
2022

Acting jointly

Acting jointly

The desert state of Saudi Arabia was known in the past for having achieved its wealth mainly through oil production. Over the past few years, the Kingdom continuously develop in many sectors and has become a very attractive destination for foreign investors due to its steady economic growth, even during the COVID-19 pandemic.

Overall the Kingdom of Saudi Arabia plans to modernize its business and economic sectors and attract corporations and foreign investors to the country thanks to the promising infrastructure already in place in Riyadh and the young, highly educated population.

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Content

About us

As attorneys, tax advisers, management and IT consultants and auditors, we are present with 107 own offices in 50 countries. Worldwide, our clients trust our 5,260 colleagues.

The history of Rödl & Partner goes back to its foundation as a solo practice in 1977 in Nuremberg. Our aspiration to be on hand wherever our internationally-active clients are led to the establishment of our first, own offices, commencing with Central and Eastern Europe in 1991. Alongside market entry in Asia in 1994, the opening of offices in further strategic locations followed, in Western and Northern Europe in 1998, USA in 2000, South America in 2005 and Africa in 2008.

Our success has always been based on the success of our German clients: Rödl & Partner is always there where its clients see the potential for their business engagement. Rather than create an artificial network of franchises or affiliates, we have chosen to set up our own offices and rely on close, multidisciplinary and cross-border collaboration among our colleagues. As a result, Rödl & Partner stands for international expertise from a single source.

Our conviction is driven by our entrepreneurial spirit that we share with many, but especially German family-owned companies. They appreciate personal service and value an advisor they see eye to eye with.

Our 'one face to the client' approach sets us apart from the rest. Our clients have a designated contact person who ensures that the complete range of Rödl & Partner services is optimally employed to the client's benefit. The 'caring partner' is always close at hand; they identify the client's needs and points to be resolved. The 'caring partner' is naturally also the main contact person in critical situations.

We also stand out through our corporate philosophy and client care, which is based on mutual trust and long-term orientation. We rely on renowned specialists who think in an interdisciplinary manner, since the needs and projects of our clients cannot be confined to individual professional disciplines. Our one-stop-shop concept is based on a balance of expertise across the individual service lines, combining them seamlessly in multidisciplinary teams.

WHAT SETS US APART

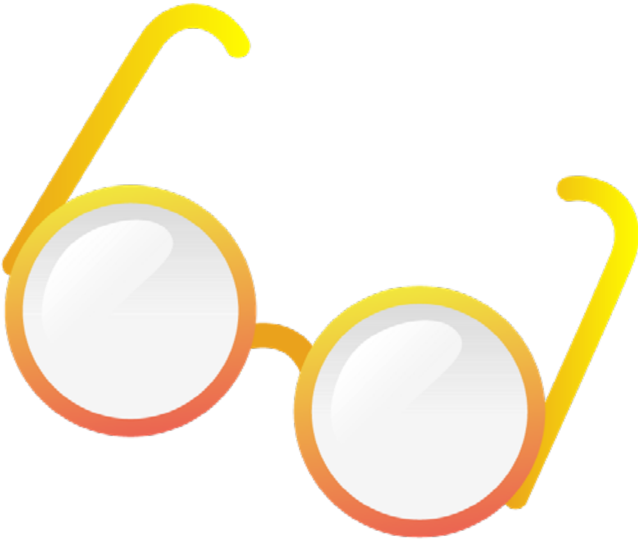
Rödl & Partner is not a collection of accountants, auditors, attorneys, management and tax consultants working in parallel. We work together, closely interlinked across all service lines. We think from a market perspective, from a client's perspective, where a project team possesses all the capabilities to be successful and realise our client's goals.

Our interdisciplinary approach is not unique, nor is our global reach or our particularly strong presence among family businesses. It is the combination that cannot be found anywhere else – a firm that is devoted to comprehensively supporting German businesses, wherever in the world they might be.

Overview

The Kingdom of Saudi Arabia (Al Mamlika Al Arabia Al Saudia) was established as an absolute monarchy in 1932 by its founder Ibn Saud, who united modern-day Saudi Arabia's four historical regions. It has since been an Arab and Islamic sovereign state. The Kingdom of Saudi Arabia lies on the Arabian Peninsula between the Arabian Gulf on the East and the Red Sea on the West. It borders Jordan and Iraq to the north, Kuwait to the northeast, Bahrain, Qatar and the United Arab Emirates to the east, Oman to the southeast and Yemen to the south. The Red Sea to the country's west separates it from Israel, Egypt, Sudan and Eritrea and the Arabian Gulf to the kingdom's east separates it from Iran.

With a population of 35.34 million (2021, data provided by the United Nations) it is the seconds largest Arab state (after Algeria). Riyadh is the capital of the Kingdom and its largest city with a population of 7,4 million. With the new Saudi Vision 2030 under the guidance of the Crown Prince Mohammed bin Salman al Saud this number is expected to increase over the coming years. The capital is the political, economic and cultural centre of the Kingdom. Saudi Arabia is the birthplace of Islam and revered as the land of the two holy mosques. Makkah and Medina are the religious capitals of not only Saudi Arabia but the whole Islamic world.



Political and Legal System

The King, HRH Salman bin Abdulaziz al Saud (oldest surviving son of the state's founder Ibn Saud), acts also as Prime Minister and as the Custodian of the Two Holy Mosques. As head of state and government he ensures the Kingdom's general policies and supervises the protection and defence of the country. The king is respected and loved by his citizens. This admiration of their king lies within the Arab culture and originates from an Arab custom where every citizen of full age can meet and petition the king through a traditional meeting known as the 'majlis'.

As the kingdom of Saudi Arabia is an absolute monarchy, the political leadership largely depends on the governing style and on the personality of the king. The present king is known to hold traditional views but being open to social as well as political reforms. In June 2017 King Salman has appointed his son, Mohammed bin Salman as Crown Prince thus heir-designate to the throne, after having removed his nephew Muhammed bin Nayef from all positions. The Crown Prince is regarded as the leader de facto as he is known as the power behind his father's throne.

His plan is to modernise the country. In line with that he has put under way several political reforms such as the Saudi Vision 2030, which aims to lower the country's dependence on oil. As a consequence of the Crown Prince's mentioning of the return of 'moderate Islam' there have been several reforms such as that the male-guardianship system has been weakened, the ban of female drivers has been lifted and the presence of women in the workforce has been increased amongst others.

In general Saudi Arabia has no legislative body. The full power lies with the king as he combines legislative, executive and judicial functions and royal decrees form the basis of the country's legislation. As King, Prime Minister and President of the Council of Ministers the King must comply with Sharia law and the Quran, which is regarded as the country's constitution. The Quran however is subject to interpretation, which is conducted by the religious body – the Ulama (a body of interpreters of Islamic law). In this regard it is of utmost importance to notice that due to the recent political reforms brought about and supported by the Crown Prince

Mohammed bin Salman, the influence and power of the religious police has been restricted. Nonetheless, the Sharia remains the primary source of law and the Quran is regarded as the country's constitution.

As the Sharia and the Sunnah (traditions and practices as lived by the prophet Muhammed) have been adopted by Saudi Arabia in an uncodified form there has been a lack of judicial precedent resulting in ambiguity of the kingdom's laws and regulations. Therefore in 2007 King Abdullah issued a number of royal decrees attempting to renovate Saudi Arabia's judicial system. The Supreme Court has been established as the highest judicial authority, where its jurisdiction is clarified in Article 11 of the Law of Justice. New Courts of Appeal have been established in the provinces with jurisdiction in legal rights, criminal, family commercial and labour matters. Article 17 of the Judiciary Law states "the appellate courts shall look in judgements issued by the first instance courts. They shall issue judgement after viewing the respondents' petitions according to Sharia Procedure law courts and law of criminal procedure." Furthermore in 2017 the Ministry of Justice has opened new Commercial Courts, that are independent courts yet directly attached to the Ministry of Justice and not, as historically before, to the Board of Grievance. The commercial courts deal, according to Article 35 of the Law of Procedures before the Sharia Courts, with jurisdiction in the following areas:

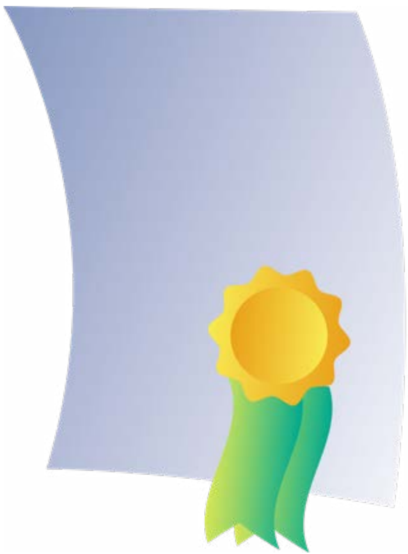
- All commercial disputes, whether principal or consequential, occurring among traders
- Lawsuits filed against the trader because of its principal or consequential acts thereof
- Disputes occurring among partners/shareholders in partnerships/ companies
- All lawsuits and violations relating to commercial laws without prejudice to the jurisdiction of the BOG
- Bankruptcy lawsuits, interdiction of a bankrupt, or of lifting thereof
- Other commercial disputes

In 2018 the Saudi Ministry of Justice, in line with the Saudi Vision 2030, has published a sourcebook of 2323 judicial principles and legal precedents that summarize jurisprudence development in the Kingdom over the past 47 years. Furthermore in 2020 the Saudi government has issued the National Transformation Program in order to support the achievement of goals set out by the Saudi Vision 2030. In line with the NTP and in order to facilitate the judicial system, the Ministry of Justice has put forward key performance indicators such as:

- Reducing the average timeframe to conclude cases
- Increasing the percentage of concluded cases
- Increasing the percentage of those stakeholders in court cases who are satisfied with the process
- Reducing the average number of incoming cases per judge in the main courts
- Improving Saudi Arabia's World Bank institution ranking

The Council of Ministers, also referred to as the Cabinet, represents 22 different government ministries and advises the King. It is comprised of the King who presides over it, the Crown Prince with currently his own portfolio, 21 ministers with their own portfolio plus seven ministers of state. It is tasked with drafting and overseeing the implementation of internal, external, economic, education, financial and defence policies as well as general state affairs.

The Cabinet is the final authority for financial, administrative and executive matters. Its resolutions are non-binding unless



agreed upon by a majority vote, which in case of a tie is decided upon by a tie- breaking vote of the Prime Minister – the King. The Cabinet works along the lines with the Basic System of Governance and is advised by the Consultative Council (Majlis Al-Shura). The Consultative Council consists of currently 150 members all appointed by the King on a four-year period. Members are according to their knowledge and expertise assigned to 12 different committees dealing with matters concerning foreign affairs, health and social affairs, human rights, economy and industry, education, finance, human rights, administration, Islamic affairs, services and public utilities, information and culture. Its main purpose is to assess and interpret the country's system of laws, by-laws, contracts and international agreements. In 2004 the mandate of the Consultative Council was broadened from merely discussing regulations and issues of national and public interest to also proposing new and amending existing legislation without prior submission to the King.

Economy

Saudi Arabia is the largest economy in the Arab world and belongs to the 20 largest economies in the world, thus being a member country of the G20. In 2019 Saudi Arabia's GDP was 793 billion USD. Its exports of goods amounted to 268,59 billion USD whereas its imports amount to 141,89 billion USD which results in a trade balance of 126,7 billion USD. Saudi Arabia possesses natural reserves worth 34,4 trillion USD. It owns the world's second largest petroleum reserves (after the US) where proven crude oil reserves are estimated to be 258 billion barrels. Saudi Arabia is the world's largest exporter of oil and a founding member of the OPEC.

90 percent of the Kingdom's export earnings come from the petroleum sector and it contributes 42 percent to the Kingdom's GDP. In the first quarter of 2019 Saudi Arabia's budget has accomplished its first surplus since 2014 (10,4 billion USD) as a result of oil and non-oil revenues. Due to the government's plan to lessen the Kingdom's dependence on hydrocarbons, the Saudi government will push for other economic sectors and therefore the private sector will have to become a powerful engine for driving future economic growth.

In 2016 the Saudi Government published its Vision 2030, in which the kingdom envisions to modernise the country and establish Saudi Arabia as an investment powerhouse. The Saudi Vision 2030 is one of the major and most ambitious economic, political as well as social projects under the influence of Crown Prince Mohammed bin Salman. Its main aim is to lessen Saudi Arabia's dependence on oil and to diversify the economy in order to increase non-oil revenue to 160 billion USD by 2020 and 267 billion USD by 2030. Current economic reforms make foreign investment more attractive and are part of the plan of the Saudi Vision 2030. The first quarter of 2019 witnessed a prompt surge of foreign investment- it has increased by 28 percent.

RELATIONSHIP BETWEEN GERMANY AND THE KINGDOM OF SAUDI ARABIA

Germany and Saudi Arabia have formalised bilateral relations since 1929 by signing the Treaty of Friendship. At that time the Kingdom did not yet formally exist as unity between the two kingdoms of Hejaz and Nejd was only formed in 1932. Diplomatic relationships have been maintained between the Kingdom of Saudi Arabia and Germany since 1954. Cultural relationships between Saudi Arabia and the German government have only been established in 2006. There are German schools in Riyadh and in Jeddah.

After the United Arab Emirates, Saudi Arabia has become Germany's second largest trading partner in the Arab World. The main goods exported from Germany into Saudi Arabia are machinery, chemical products and electrical, precision engineering, motor vehicles and optical goods. The reform program Saudi Vision 2030 is offering promising new (international) business opportunities. As German products, services and know-how are well respected in the Arab world, the efforts undertaken by the Saudi government to diversify the economy offer further intensification of German and Saudi Arabian economic opportunities.

SAUDI VISION 2030

With its Vision 2030, launched in 2016, Saudi Arabia is diversifying and growing its economy and creating an environment that is attractive to local as well as foreign investors. The Kingdom, in line with Vision 2030, pushed for new regulations that facilitate the transformation into a more diverse and sustainable economy, which will be less dependent on oil and is thus creating an investor friendly environment. This is partly achieved through the goals and ambitions of the Saudi Vison 2030 and other reforms put into force by the Crown Prince HRH Prince Mohammed bin Salman al Saud. The following points have been put forward in order to establish a thriving economy and improve its business environment:

- Developing the necessary capabilities to increase the quality and reliability of the services.

- Coordinating with legislative authorities to review current regulations with the aim of improving the business environment and enforcing contracts.
- Strategically capitalizing on the government's reserves of real estate.
- Allocating prime areas within cities for educational institutions, retail and entertainment centres, and industrial projects while dedicating large areas along their coasts to tourism projects.
- Enabling banks and other financial institutions to adapt their financial products and services to the needs of each sector, ranging from large project capital funding to short-term working capital for small businesses.
- Facilitating and expediting licensing procedures based on their national economic priorities.
- Enforcing international legal and commercial regulations to create a business environment conducive to long-term investment.
- Striving to facilitate the movement of people and goods, and to simplify customs procedures at ports.

Already playing a vital role in global economy through its oil policies Saudi Arabia aims to also diversify its international non-oil sectors. One aim of the government is to increase FDI's GDP contribution from 3,8 percent to 5,7 percent. In order to achieve the diversification plans, Saudi Arabia aims at further restructure economic cities, which will attract local as well as international investment.

Furthermore, investment possibilities are being applied in specially created economic zones for logistics, tourism, industrial development and financial services. Saudi Arabia also ensures a modern digital infrastructure that is essential in present industrial activities. The Ministry of Investment has been established in February 2020 in order to stress the eagerness of the Saudi government to support local as well as foreign investors, offering specialised consultation to companies in different sectors.

INVESTMENT INCENTIVES

While setting up a business within the Kingdom, The Saudi Industrial Development Fund (SIDF) offers loans of up to 50 to 70 percent of the project costs during a time period of 15 to 20 years without interest fees. Interest fees are not permitted according to Sharia law. During pay-out, 2,5 percent of the loan are due and a yearly administrative cost is calculated. In general, in case of 50 percent SIDF financing, the input is the following: 25 percent equity contributed by the foreign investor, 25 percent commercial loan from a local bank and 50 percent SIDF loan.

Furthermore, technical know-how can be regarded as investment and a contribution in kind, however this step is required to be evaluated by an auditor and can take up to several months. As a foreign investor it is also possible to invest in several Tadawul – Investment Fonds of the Saudi Arabian stock market.

Part of its attractive framework is also the free convertibility of the Saudi Riyal and the free profit and currency transfer.

Apart from its determination to make the Saudi economy more interesting the Saudi Arabian market is interesting for foreign investment as it has access to a domestic market of 20 million consumers from the neighbouring GCC countries.

Legal framework of Foreign Investment

FOREIGN INVESTMENT LAW (FIL)

As part of formalising the process of economic liberalisation the Foreign Investment Law came into force in April 2000. It regulates foreign investment in the Kingdom in terms of conditions, procedures, privileges and guarantees and defines the rights, guarantees and obligations of the foreign investor as well as the penalties for violation of this law. The Ministry of Investment is in Charge of issuing the regulations of this Law.

In order to proceed with foreign investment and/or economic services within Saudi Arabia the foreign investor needs to register with SAGIA (Saudi Arabian General Investment Authority) in order to obtain a license that allows the foreign investor to carry out an economic activity and invest in Saudi Arabia.

It is advised to get support from a locally registered legal firm in order to ease into the setting up process and to avoid any injudicious decision/actions. In general, it has to be said that investment projects from Germany, if adhered to the legal requirements, are steadily approved.

Foreign ownership and investment projects in Saudi Arabia can be, as opposed to in other GCC countries, in full foreign ownership. As regulated in the Foreign Investment Law, foreign projects are entitled to privileges and incentives given to national projects. This topic was a decisive factor of WTO negotiations with Saudi Arabia and the therewith concluded admission of the Kingdom to the WTO.

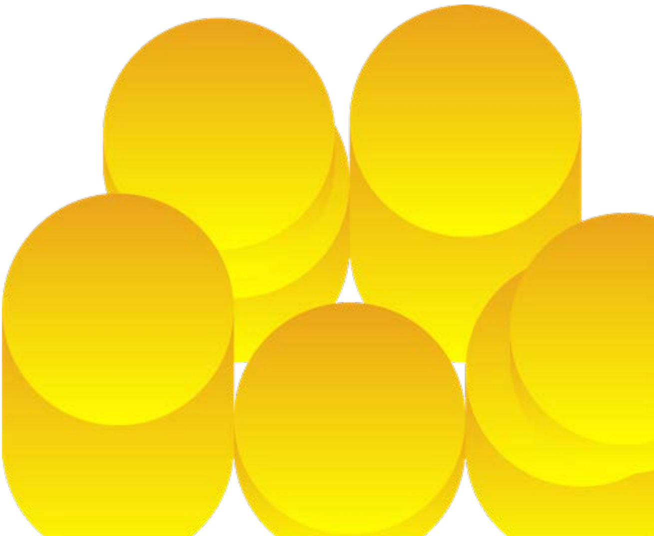
As soon as the license has been issued by the SAGIA and the administrative process has been completed all foreign employees will be “sponsored” by the newly established company, meaning the company is set to register visas under its sponsorship according to the Saudi Arabian residence system regulated through the Sponsorship system.

It should be noted that investments in relation to the licensed investment project enjoy full legal protection and confiscation is only permissible in case of a judicial judgement. Generated income such as proceeds gained from sales of shares, shares of liquidation surplus, shares of corporate profit as well as any amount serving the realisation of contractual obligations related to the investment project can be in general transferred to a foreign country or can be used for legal persecution reasons by the foreign investor.

However, in order to make reinvestment within the Kingdom more attractive, the Income Tax Law issues a withholding tax of 5 percent (on the total amount) on repatriation of dividends transferred to a foreign country.

A foreign investor can get active in any economic sector as long as it is not explicitly stated otherwise. These, for foreign investors inaccessible sectors are listed by the SAGIA in a so- called “Negative List”.

The setting up of an auditing company requires participation of a minimum of 25 percent of a Saudi National.



THE PROCESS OF OBTAINING A SAGIA LICENSE

All license applications through SAGIA are done electronically via the SAGIA website. An OSS (One-Stop-Shop) has to be visited in order to pick up the license, sign a new statute of the company with a notary public and register at the commercial registrar.

The exact procedure of license application and company registration as well as a list of required documents is offered via a manual on the SAGIA's website.

While applying for a license online scans of the following documents have to be attached:

- Power of attorney for the lawyer in charge; certified and authenticated
- Founding resolution inclusive of managing directors; authenticated
- Commercial register extract of the mother company; authenticated
- Partners contract of the mother company; authenticated
- Annual financial statements for the last final business year; authenticated
- Data sheet entity biography form – special track; stamped
- Passport copy of the managing director

Documents listed under point 1 to 5 are all to be translated into Arabic by a Saudi Arabian licensed translating office. It is however again advisable to consult with a locally registered law firm in order to avoid uncertainties and proceed more efficiently with the registration.

While electronically sending the application, the applicant (the foreign investor) is required to tick several formal obligations that, for instance require the applicant to not become economically active before having received the SAGIA license and to employ a minimum of 75 percent Saudi Arabian workforce (if applicable). In general, the whole application process takes up to one and a half weeks.

The cost of obtaining a new license amounts to SAR 2.000 per year. Once a license has been issued it usually is valid for five years. Additionally, an amount of SAR 10.000 has to be paid annually to the OSS. The SAGIA has published a list with the respective costs of renewal: For the limited category renewal costs SAR 60.000, for the category distinctive renewal amounts to SAR 30.000 (3 years validity period), for the category advanced renewal costs are SAR 45.000 (2 years validity period) and for the category innovative SAR 10.000 (1 year validity period) have to be paid.

It should be noted that any investments or company set ups in the area of contracting and engineering have to acquire a contractor's classification from the Ministry of Municipal and Rural Affairs (MOMRA). This is usually a lengthy process. However, as in this sector it is usual to obtain a five-year license, the investor is given sufficient time to fulfil all criteria and obtain all necessary documents.

In case necessary information are withheld, or the SAGIA gains knowledge of any violations against the FIL and/or its exports regulations punishment will be applied. (HOW? P.160). In 2013 SAGIA published a so-called Code of Conduct mentioning possible offenses by the Investors and the consequential punishments.

The Companies' Regulation came into force in 2016. It regulates the way in which foreign investors may perform their with SAGIA registered activity. The Ministry of Commerce and Investment allows only two forms of corporations for foreign commercial investments – the GmbH and the AG as well as the Professional Partnership for independent professionals. Furthermore, there is an option for the setting up of legally dependent branches of foreign companies, which are regulated in Art. 194-202 of the Companies' Regulations.

PROFESSIONAL PARTNERSHIP

Auditors, tax advisers and legal offices must ally with a Saudi expert and register a so-called Professional Partnership with the Ministry of Commerce and Investment (MoCI). Foreign legal offices are only allowed to be active in the kingdom after having signed a cooperation- or association agreement resulting in a Professional Partnership with a Saudi National.

When registering with the MoCI, the company must enjoy an excellent reputation, must exist for a minimum of 10 years and must convey expert knowledge as for example in training Saudi Nationals. A permanent delegate of the company must reside within Saudi Arabia for a minimum of 9 months per annum. Furthermore, shares of a respective Saudi National independent professional must add to no less than 25%. The Professional Partnership must be sealed with the signing of an agreement in line with MoCI regulations.

Architects, Civil Engineers and Consulting Offices, that are by definition independent professionals, need to however register with the SAGIA not with the MoCI. The parent company has to have a minimum of 10 years industry experience and must be present in at least four different countries.

LEGALLY DEPENDENT BRANCHES

Legally Dependent Branches of a foreign parent company are also an option while setting up a business in Saudi Arabia. This option is regulated in Art. 194-202 of the Companies' Regulations. They do not have an own legal personality, are legally dependent and do not require a Saudi National "Sponsor". They are therefore controlled by the parent company and the legislation binding in the country where the company's headquarter resides.

The following legally dependent branches can be set up:

Scientific and Technical Office (STO)
This form of business set up is mostly used for local client support as well as commercial agents. It is not allowed to be commercially active within this framework and only a limited number of employees may work under its umbrella, usually seven employees. It is supposed to serve as a supportive system for the commercial agent and an information gathering tool for the parent company. However, often in reality it is also used as a marketing agency for the parent company. The STO owes a reporting obligation to the MoCI.

In order to set up an STO a written consent agreement between the parent company and the commercial agent is required; the STO is under the authority of the parent company. There is no requirement of minimum investment capital. Since 2013, in case of approval of STO projects, the commercial agent- or distributor agreement needs to be registered with the MoCI. Businesses in the pharma and animal feed industry have to register an STO.

Permanent Branch
The Permanent Branch is a permanent and dependent branch of a foreign company that can be established in case of a long-term business activity in Saudi Arabia. A permanent branch is no legal entity but is legally dependent on the parent company.

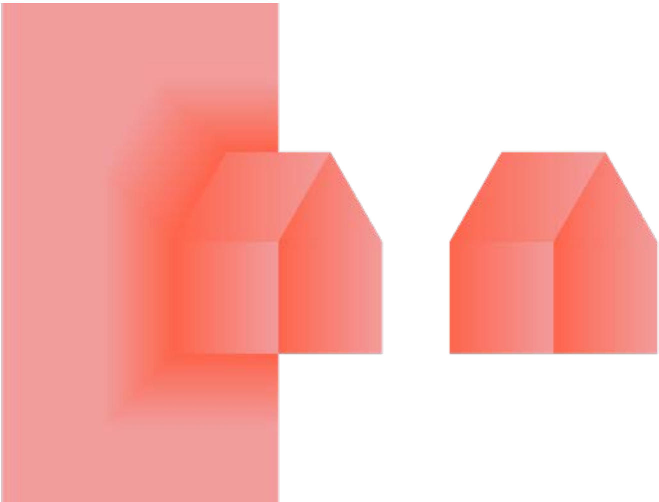
The minimum investment capital is SAR 500.000 and a SAGIA license has to be obtained in addition to a commercial registration.

The same requirements apply while setting up an LLC. However, in contrast to the LLC, the Permanent Branch does not have a legal statue and only one branch manager can be registered. It is possible to convert the Permanent Branch into an LLC, however this process is no less laborious than setting up a new LLC.

Temporary Branch

In order to participate in officially published tenders (government mandates for instance) a temporary branch can be set up. No minimum capital is required. Registration in the commercial registrar is only valid for one project at a time and needs to be deleted upon completion of the respective project. The signed contract with the client is required for setting up the temporary branch.

A Temporary Commercial Registration can neither be applied for in the private sector nor in relation to subcontracts in the public sector. Projects that are not in direct contractual relation to the Saudi State or to Saudi Arabian state owned or semi-public owned companies cannot be undergone under a temporary branch.



LEGALLY INDEPENDENT COMPANIES

The MoCI allows for two different forms of corporation for foreign commercial investment.

The Limited Liability Company (LLC)

In general, foreign investors mostly choose to set up an LLC – a Limited Liability Company. It has a relatively simple structure, is easier controllable and legally independent. Since the coming into force of the Companies Regulations in 2016, a one-person-LLC can be founded. The LLC can be used as a type of branch for any corporate activity with the exemption of activities listed in the SAGIA's "Negative List" and limitations of the Company Law (Banking- and Insurance Sector and financial services).

An LLC is a Saudi-Arabian legal entity. It can therefore act as a sponsor for its employees. A Saudi local sponsor is not required and since 2007 investments of less than SAR 500.000 are being authorised.

In the set-up of its management hierarchy the LLC is, contrary to a permanent branch, a TCR and an STO, flexible. At least one General Manager needs to be summoned. Optionally a Board of Directors, headed by a Chairman or a Managing Director, can be set up as is the appointment of an Executive Manager, General Manager or CEO.

The license application needs to be requested from the SAGIA. The LLC needs to report annually (at latest 3 months after completion of a fiscal year) to the MoCI with an audited balance sheet and a management report. It is mandatory for the LLC to deliver a yearly tax return due to an accounting obligation. Furthermore, the LLC needs to register for the Value Added Tax (VAT) that has to be paid on a quarterly basis.

An exit strategy and potential liquidation should be legally planned ahead of the setting up of the LLC. Liquidation of LLCs is regulated under the Saudi Companies' Law.

Joint Stock Company

It is unusual to register Joint Stock Companies in foreign investments. However, Banks and Insurance Companies must register in the form of a Joint Stock Company. In order to set up a Joint Stock Company a feasibility study has to be presented to the Minister of Trade who must approve the project by decree.

The minimum capital, drawn up in shares, must amount to a minimum of SAR 500.000, whereas the minimum value of a share amounts to SAR 50 and there must be a minimum of two shareholders.

An application to be listed on the stock market can be filed at the Capital Market Authority (CMA) at the earliest two years after the initial setting up of the company.

It will be interesting to see the development of NEOM – a huge offshore zone, tourist destination, science park in the Kingdom's northwest – where the legal structure and investment opportunities still need to be clarified and implemented.

The Saudi market is attractive due to its many incentives and future reforms such as the Saudi Vision 2030 make it even more appealing. In order to reach the highest possible success rate and to navigate through the business set-up process, new foreign investors are advised to consult an experienced legal team with a presence in Saudi Arabia.

GENERAL

Labor Law in Saudi Arabia has been reformed at the beginning of the millennium and since then generally meets international standards. The relevant regulations are closely related to the valid rights of residence. Therefore, it is necessary to plan excessively ahead of an employment relationship.

Furthermore, the so-called Saudization has a significant impact on the Labor Law. Since the 1990s, this campaign's aim is to increase the proportion of Saudi employees and thus reduce the rate of Saudi local unemployment.

It is hence no surprise that Saudi local employees do enjoy prioritised employment options legally given to them, compared to foreign employees. As a result, employers do have to employ a certain percentage of Saudi local employees. Only in certain cases are exemptions from this so-called "Saudization" approved.

Saudi Arabia has implemented a Social Insurance Law in 2001, that throughout the past years has been content-wise expanded. Consequently, Saudi nationals as well as residents do enjoy the benefits of health and unemployment insurance additionally to a workmen compensation insurance and a pension scheme.

However, the social insurance system and its characteristics can be enjoyed in varying dimensions by the local and the foreign employee.

SAUDIZATION AND NITAQAT SYSTEM

Due to the high unemployment rate within the Saudi population, the Saudi government has towards the end of the 1990s declared the so-called Saudization program as one of the main elements of Saudi domestic policies and has hence continuously stressed the importance of this program and thus developed policies supporting the Saudization program. The main declared aim of this political program is to increase the percentage of Saudi local employees and reduce the rate of foreign employees. Consequently, a foreign employee can only be hired in case if there is no equally qualified Saudi local employee available.

Companies in Saudi Arabia are – in line with these policies – bound to offer a set percentage of their workforce to the local population, so that a certain percentage of their employees possess the Saudi nationality. As a result of Saudization, in 2019, 10.000 Saudi nationals were registered as employees with the Social Insurance. In 2011 the current Minister of Labour at that time decided upon implementing the so-called Nitaqat-System, that organises the Saudi nationalisation scheme.

Within this system, companies in the private sector and with a minimum of 9 employees, depending on their respective sector, are classified in four different categories: red, yellow, green and platinum. The respective companies have to hire a certain percentage of Saudi workforce, depending on the company's industry and on the total number of employees within the company. Depending on their classification, companies do get certain incentives, such as for instance relating to the issuing of work permits. Simultaneously, companies that do not adhere to the regulations within this category system will experience potential disadvantages such as the non-granting or non-extending (of existing) work permits.

In this way, the Saudization program is strongly related to Labour Law and its regulations.

RESIDENCE PERMIT

Closely related to the Labour Law is the Residence Permit. Apart from tourist visas that are issued from 2019 onwards, a differentiation between temporary and permanent work permits must be drawn. Companies that give long-lasting or permanent work permits must adhere to fulfilling the criteria of the Nitaqat system and its categories. In this way the importance of the Saudization program for the domestic Saudi politics is highlighted.

By adhering to regulations of the Labor Law and work permits regulations through the Nitaqat System, companies are required to fulfil the Saudization quote in order to employ foreign employees long-term.

Temporary Work Permit

For short-term or temporary work-related stays the employee enjoys two different options of visas: The Commercial Visitor Visa or the Business Visitor Visa. These visas, depending on the employee's nationality, allow for a stay within the Kingdom of up to 180 days, regardless of several entries into and exits out of Saudi Arabia.

Contrary to a permanent work visa, these two Visitor Visas do not require an additional issuance of a work permit (to be transferred into a permanent work visa after 3 months; see below) and residence permit. A holder of either of these two visas does not count as a resident of Saudi Arabia.

The Commercial Visitor Visa is suitable for management executives as it allows them to participate at work related meetings or conferences, to visit trade fairs or to negotiate contracts. An actual, practical employment is not permitted to holders of the Commercial Visitor Visa, as this visa holds the inscription “not permitted to work” to clarify the prohibition of undertaking actual employment.

The Business Visitor Visa does however not hold such an inscription; hence a temporary occupational engagement is explicitly permitted to the holder of this visa. Consequently, the Business Visitor Visa is suitable for foreign employees executing technical or practical jobs, who are for a limited time period – usually project-based, sent by their respective companies to Saudi Arabia. This is most commonly the case for installation or maintenance work. The holder of this visa is not permitted to open a bank account or to purchase property in Saudi Arabia.

Permanent Work Visa

The Permanent Work Visa for a foreign employee underlies certain criteria and requirements. Foreign employees, whose work-related stay exceeds the 180 days given by the Temporary Work Permit, are required to obtain a Permanent Work Visa as well as a Residence Permit (Iqama). In order to obtain a Permanent Work Visa, a Saudi local sponsor is required, as is the case in other GCC countries. This local sponsor in form of the employer, who must be registered in Saudi Arabia as a legally registered employer, can request on behalf of the employee for a Work Permit. Issuance of this Work Permit, that has a validity of only 3 months, allows the employee to enter Saudi Arabia. Subsequently, and after issuance of the Permanent Work Visas, this Work Permit will be transferred into a Permanent Work Visa.

A valid employment contract with a Saudi local sponsor is a mandatory requirement for granting a permanent Work Visa. Nationals of other GCC states are exempted from this regulation.

However, the Ministry of Human Resources and Social Development has reformed the so-called Kafala system as of March 2021 and the resulting enormous dependence of foreign workers on their local sponsors. This step, aimed at improving the efficiency of the local labour market, once again demonstrates the further opening of the labour market to foreign workers. Previously, workers were not allowed to work for a company other than their local sponsor without the employer‘s permission, nor were they allowed to leave or re-enter Saudi Arabia without the sponsor‘s permission, even after termination of employment.

As a result of the amendment, foreign workers can now transfer to another employer after the expiry of their employment contract without a permit. It is also possible to apply for an exit or re-entry visa, as well as a permanent exit visa, without further ado. A de facto fixing of the employee by the employer is therefore no longer possible.

Due to the extensive labour law reform resulting in the implementation of the Labour Law in April 2006, the Saudi legal regulations largely meet international standards. Nevertheless, it is advised to extensively organise the final contract ahead of employing and sending foreign employees into the Kingdom in order to meet local legal labour law requirements.

Especially with regards to the necessity of a Saudi local sponsor as a contract partner, the legal details of the employment contract have to be regulated from the beginning. An existing employment contract with the parent company is not sufficient and is usually abrogated during the time of employment with the subsidiary in Saudi Arabia. The employment contract in Saudi Arabia with either the local sponsor or the subsidiary company is subject to Saudi law that can under no circumstances be overridden by any additional clauses. A comprehensive agreement on the application of the respective legal framework between the employer and the employee is therefore essential.

THE EMPLOYMENT CONTRACT

The Saudi Labour Law allows the contracting parties room to move while scheming the employment contract. On the other hand it sets clear requirements in certain areas to the effectiveness of the employment contract.

In detail this means that the contract must mention the name of the employer, the name and the nationality of the employee, the agreed upon salary, the job description (job position), the location of the work employment, the starting date of employment and the time period of employment.

The contract parties may decide whether the contract shall be for a temporary or indefinite time period. In this regard one must differentiate whether the employee is of Saudi or of foreign nationality. In principle, an employment contract with a foreign employee is time-limited but can be extended after end of the contract time. In case an employment contract with a foreign employee is created for an indefinite time, it is nonetheless restricted to the duration of the Work Visa. Furthermore, regarding the contract's time period, private autonomy exists, in which the law allows for a trial period of up to 180 days.

RIGHTS AND OBLIGATIONS OF THE CONTRACT PARTIES

Apart from several minimum criteria, that need to be adhered to by the contracting parties, private autonomy prevails mostly with regard to contractual obligations. Consequently, the contracting parties may freely negotiate the content of the employment contract to a large extent.

The contract parties are unrestricted in negotiating the compensation of the work performance. It usually orientates itself on the respective work activity. The payment of the salary will have to be paid in Saudi Riyal (SAR), the official Saudi currency. Saudi employees enjoy a minimum wage of SAR 4000, that got raised from SAR 3000 at the end of 2020. The so-called Nitaqat system ensures the pay out of the minimum wage. Consequently, this means that all employees that do not meet the level of the minimum wage are not considered full-time employees within the Nitaqat system. This can, under certain circumstances, result in certain disadvantages for the employer. The employer is thus indirectly forced to pay the minimum wage.

In Saudi Arabia it is common, as in other GCC states, that relating to foreign employees a compensation package is arranged. This includes further attractive incentives such as rent allowance, healthcare support, nursery or school fee allowance and annual return tickets to their home country.

The labour law stipulates a maximum of 48 working hours per week on maximum 6 working days per week. In Saudi Arabia the working days are, in contrast to western regulations, from Sunday to Thursday where the weekend is on Fridays - the religious holiday – and Saturdays. Furthermore, Islamic religious and cultural events have an impact on working hours in Saudi Arabia. For instance, during Ramadan – the Holy Month – working hours for Muslim employees are reduced from 8 to 6 working hours per day; any additionally worked hours are to be considered as overtime, which have to be paid at a rate of 150 percent of the regular payment agreed upon.

Moreover, the Saudi Labour Law specifies 21 days of paid annual leave; after having worked for an employer for more than 5 consecutive years paid annual leave increases to 30 days. Muslim employees have the right within an employment relationship to 10 – max 15 days of holidays to go for Haj, the Muslim pilgrimage, one of the five pillars of Islam. Prerequisite is however, that the employee is employed for a consecutive of two years with the employee.

TERMINATION OF THE EMPLOYMENT

Saudi Labour Law specifies a catalogue of reasons for termination of employment, however exact prerequisites of individual reasons for termination of employment are only partially laid out. Amongst others, reasons for termination of employment include the closing (shutdown) of the respective business, consensual agreement to terminate employment, death of the employee and the termination of a temporary employment contract.

A major part of the Labor Law deals with the termination with notice and the termination without notice.

An employment relationship – regardless if temporary or permanent – can be terminated without notice by both the employer as well as by the employee. The Labour Law regulates the justified reasons of such a termination without notice, that any of the contract parties can issue. This mainly includes the essential violation of contractual or legal responsibilities within the framework of the employment relationship.

An unlimited employment contract can be terminated with notice by both contract parties.

A termination with notice is not applicable for a temporary employment contract. The Labour Law requires for an effective termination notice a termination reason as well as adherence to a minimum of 60 days prior notice, if not a longer notice period is specified in the employment contract. A legal definition of termination with notice of employment reasons are, however, not catered to in the Saudi Labour Law.

Contrary to other legal systems such as the German legal system, the Saudi Labour Law regulates explicitly the entitlement to severance payments, regardless of time period or art of termination of the employment contract and years of service. Consequently, an employee whose temporary contract terminates due to lack of extension, enjoys a right to compensation claims, equally so in regard to a termination notice by the employer without written significant reason that might have resulted in a termination without notice of employment.

In case of termination with notice of an unlimited employment contract on behalf of the employer or the employee, the employee has the right to an end of service benefit. This claim is eligible to the employee from the second year of employment service. The amount of the compensation claim depends on the existing contract term. Termination of employment during the trial period does not justify a claim to compensation.

Social insurance legal framework

Since 2001 Saudi Arabia has established a social insurance framework, so that alongside health insurance and an unemployment insurance, a workmen compensation insurance and a pension scheme can be enjoyed. Within the Saudi social insurance system, a clear differentiation between Saudi nationals and foreigners can be distinguished that enjoy benefits of the system in a different way.

The Saudi social insurance system is administered by the General Organization for Social Insurance (GOSI). In line with the social insurance system, employers are requested to register their employees with the GOSI. This registration helps with monitoring and determining the fulfilment of all requirements and quotas of the Nitaqat program.

The differentiation made between national and foreign employees is most apparent concerning the health insurance system. In general, subscribing to health insurance is contradictory with Islamic teachings that are of high importance in Saudi Arabia. The reason is the following: The insurance company takes money from the insured person for an unforeseen future event. Financing of the insurance happens through an agreed upon contribution payment, that in its wider definition underlies the so-called Riba – an interest ban in Islam. As a consequence of that reason, the health insurance system was until recently relatively unpopular.
A need for further state revenues in the health care sector led to a gradual introduction of a health insurance system that until further notice is only available for foreign employees. This is of advantage for foreign companies and their employees. Saudi nationals do enjoy free access to medical care. However, in the coming years an insurance obligation for state owned companies and institutions and local employees is anticipated as well as, as last part of introducing health insurance in the Kingdom, for private households and their employees.

The compulsory insurance in the pension fund is only available to Saudi national employees. The monthly contribution rate amounts to 18 percent of the employee's monthly salary, where 9 percent are paid by the employee themselves and 9 percent by the employer. The employer is required to withhold the 9 percent part of the employee and subsequently pay the full 18 percent to the GOSI. Additionally, an amount of 2 percent of the employee's monthly salary is dissipated for the unemployment insurance, where 1 percent is carried by the employee themselves and the remaining 1 percent is carried by the employer. Within the framework of the unemployment insurance, only Saudi national employees are eligible.

Regardless of their nationality however, for all employees registered with the GOSI, a workmen compensation insurance exists. This insurance ensures against occupational diseases/accidents during working hours as wells as those on the way to and from work.

TAX INCENTIVES FOR FOREIGN COMPANIES

At the moment the Saudi government is investing a lot in so-called economic cities that are being built in several locations within the Kingdom: Namely amongst others Ha'il, Jazan, Najran, Al Baha, Al Jouf and in the northern region.

A declared aim by the Saudi government is to invite foreign investors through attractive tax incentives.

Foreign companies that set up in the above mentioned economic regions (more to come) additionally profit from possibilities to deduct training and salary costs from the tax. In the future an economic zone at the airport in Riyadh is planned.

Further deductions are granted in cases when the investment capital for a planned project exceeds the amount set by the government. Furthermore, in certain cases, companies can be exempt from customs duties, especially in cases when machines and various raw materials cannot be supplied or sourced locally. In this regard it must be noted that the exemption is attached to several other circumstances and that an exemption from customs duties needs in any case to be applied for ahead of the import of the goods.

INTERNATIONAL TAX LAW

Double Taxation Agreement, bilateral taxation principles
In total Saudi Arabia has signed Double Tax Agreements with more than 50 countries, amongst them France, Austria and Switzerland. Germany and other countries do currently still hold negotiations for such Double Tax agreements with the Kingdom. Contracts in this regard do in general follow the model of the Organization for Economic Cooperation and Development (OECD) and include several incentives such as the withholding tax on dividends, interests, capital gains tax and license fees.

NATIONAL TAX LAW

There are different kinds of tax in Saudi Arabia. On the one hand there is Zakat, based on Islamic concepts and on the other hand there is the corporation tax.

Personal Income Tax

In Saudi Arabia only foreign companies and investors pay an income tax. An individual income tax for foreigners that work in Saudi Arabia does not exist. Saudi and GCC Nationals that under Saudi Tax Law are legally considered Saudi nationals, do pay the Zakat.

Corporation Tax

In cases when shares of a company are partially owned by Saudi nationals and foreign investors, income generated from shares that fall on the foreign investor underlie the income tax whereas income according to percentage owned by Saudi nationals fall under payment of Zakat. Income tax amounts to 20 percent of the net profit. The withholding tax lies between 5 to 20 percent.

Zakat

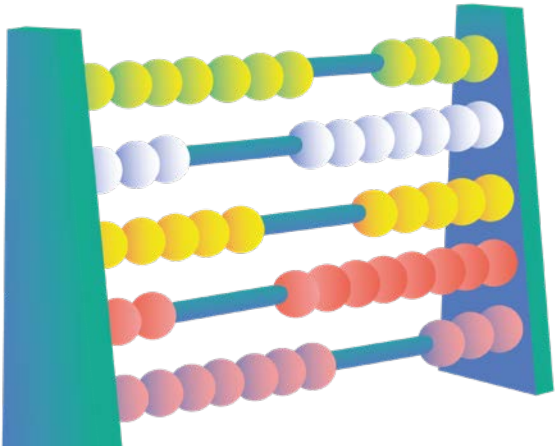
The government body that administers Zakat and claims taxable payments is the General Authority for Zakat and Tax (GAZT) and simultaneously a department of the Saudi Ministry of Finance.

Zakat is due to be paid by Saudi nationals and Saudi companies registered in Saudi Arabia. Zakat is a religious fee and amounts to 2,57 percent on the amount of the taxable net income of the in Saudi Arabia resident company, in regard to their share of the annual profit or is calculated with 2,5 percent of their share of the adjusted annual profit, depending on which value is higher. The legally taxable net worth for Zakat purposes consists in general of the invested capital and the long-term financing capital minus the capital assets, long-term investments and deferred costs, plus/minus the annual result.

VAT

The VAT (Value Added Tax) was first introduced in the Middle East in 2018. It applies to private person and companies with business relationships within and with relations to countries of the GCC; Saudi Arabia, UAE, Bahrain, Qatar, Kuwait, Bahrain, Oman. This was a ground-breaking change for business activities in a region that until recently had not experienced any kind of taxation. At the beginning of 2017 the regional VAT agreement was signed by all six GCC member countries. The introduction of the VAT in 2018 is based on the framework agreement between the GCC states, also called the Unified Gulf Cooperation Council VAT Framework Agreement.

This agreement requires all GCC member states to introduce a VAT. So far Saudi Arabia, the UAE and Oman have adhered to this requirement. Oman has planned to introduce the VAT in April 2021 and Qatar and Kuwait are to follow later on in 2021 as well.
The agreement is also referred to as the 'Framework Agreement' and serves as a basic structure for a cooperative VAT system between the GCC states. It has to be clarified, however, that it is an agreement between the countries and not a law. It is hence not a document that the taxpayers can rely on – national implementation laws need to be consulted in order to specify the exact regulations of the respective taxation system in each GCC state. So far, only Saudi Arabia and the UAE have such a VAT law. Oman will implement its VAT law in April 2021. The GCC agreement lays down what can be defined as a regular tax system, as it includes all common regulations, that can be found in European systems.



Only in 2018 Saudi Arabia has introduced for the first time a VAT, that until recently amounted to 5 percent. From the 1st of July 2020 onward, VAT was raised to 15 percent in Saudi Arabia. The rise in VAT was part of the measures that the Saudi government undertook as reaction to economic consequences from the Covid-19 circumstances and low oil prices. Currently the government is negotiating whether to lower the VAT after the pandemic.

In general, it can be said that the VAT system in the Kingdom resembles the European system. Similarities do exist in particular concerning the traffic of goods and certain services between companies and private consumers within the gulf states. The concerned person or company needs to register in the respective country in case goods worth more than the allowed annual tax limit are transferred into another country. As within the EU, there is the option to send B2B deliveries to taxable registered clients within other GCC states, without calculating a local VAT amount.

- Taxation
  All imports of goods and services that are provided within Saudi Arabia are regarded to be taxable, unless the concerned import is explicitly exempted from the tax. The VAT applies to goods and services that are provided by a resident or a non-resident in Saudi Arabia, or to the import of goods.
- Registration
  A person that operates a business and carries out taxable deliveries of goods and/or services, that exceeds the obligatorily annual threshold value of SAR 375.000 for VAT registration, needs for VAT purposes to be registered as a taxable person.

  The Saudi VAT Law also offers possibilities for tax exemption. There are tax exemptions, which are zero-rated.

  Services, that are zero-rated, are financial services as well as rental of properties.

  For supplies of goods and services, that are eligible to be zero-rated no VAT needs to be calculated and the to be calculated input tax can be refunded to the costs. If the services or goods fall into a category, that accounts to be zero-rated as well as VAT exempt, regulations for zero-rated deliveries prevail, which is advantageous for the supplier, since they are entitled to ask for reimbursement of their attributable input tax.

The GCC Agreement defines which sectors the member countries can grant zero-rated status to. These include Education, Medicine, Medical Equipment, Investment Metals, Public Transport, and according to the individual Member States' estimation Oil and Gas. Furthermore, exports of goods out of the GCC Member States are also eligible to be zero-rated.

It should be noted that, unlike in the UAE, companies who deliver goods or services that are eligible to be fully zero-rated, are not required to register for VAT. It distinctly lies in the companie's interest to register, as only VAT registered companies are able to ask for reimbursement of tax paid on their purchases.

Withholding Tax

Payments for service in a foreign country performed by a person or a company registered in Saudi Arabia are subject to withholding tax. In this connection the accrued rates vary between 5 percent, 15 percent and 20 percent. Decisive in this regard is the kind of services performed as well as the business relationship between the contract parties. The withholding tax should be paid within the first ten days of the following month. Within Saudi Arabia the withholding tax amounts to 5 percent for dividends, 5 percent for interests and 15 percent for license fees. An example for 5 percent taxation are rents or payments for airplane tickets, air or sea freight as well as communication services. License fees or revenues are to be taxed with 15 percent and administration costs are taxable at 20 percent. Payments that are not timely made, lead to fines as outlined in art.77 of the Income Tax Law, which amount to 1 percent of the withholding tax and reoccur every 3 months. The GAZT has the right to also impose higher fines.

Contrary to other Islamic characterised countries, in which the Sharia is an important legal source within their respective constitutions but in line with progressing secularisation does not enjoy high significance, the Saudi Arabian legal framework still underlies the guidance of Sharia Law and identifies Islam as the original source of law, even though in recent years and with view on 2030, a clear rupture from the conservative structures is notable. It cannot be referred to international private law, where one clause within a contract that agreed upon choosing a foreign legal framework would be inadmissible. However, the Sharia Law mainly regulates criminal and family law and only in exceptional cases, such as liability for liabilities, deals with commercial and corporate legal complexes. Therefore, companies are barely affected by these regulations.

Since the comprehensive reform of the judicial organisation in Saudi Arabia, there are five different Sharia Courts: Besides the general courts, that are responsible for all disputes that are not falling under the jurisdiction of specialised courts, there are criminal courts, personal courts and labour courts. Furthermore, since June 2020 special commercial courts have existed. Their jurisdiction relates to all commercial disputes and shall guarantee a consistent judicial treatment of these kind of disputes within the national territory of Saudi Arabia.

Hierarchically the legal system is organised in three courts. Besides the courts of first instance and the superior courts of appeal, the Supreme Court is at top of the legal system and mainly reviews procedural errors of the inferior courts with the mission of unification of the jurisprudence. Moreover, the Supreme Court reviews all judgements in which corporal sanctions or the death penalty are imposed.

PROSECUTION

Due to the authoritative influence of the Sharia Law, prosecution and the enforcement of one's own claims are regularly complicated and time consuming. Consequently, for a successful conflict resolution, a comprehensive evaluation of the desired goals is necessary ahead of a judicial proceeding and if the circumstances allow an attempt to settle the dispute out of court. Such an attempt to settle disputes out of court usually results in a rapid and fair resolution of disputes, so that the alleged disadvantages of the prosecution are largely compensated. Additionally, the arbitration procedure and its procedural regulations meet international standards.

In general, it is not compulsory to hire a lawyer during judicial proceedings, however, due to the local specifications and especially due to the influence of Sharia Law it is advisable to get in touch with a Saudi registered lawyer. Additionally, court proceedings are purely held in Arabic language, which is why a certified translation is necessary for documents in a foreign language.

Cost of court disputes (plus lawyer fees), regardless of the ruled judgement, need to be financially carried by each dispute party themselves. For that reason, it is common that, in advance, the parties agree upon a permissible agreement concluding that the losing party bears the costs of the assertion.

Occasionally, foreign judgements might be partially recognised in Saudi Arabia and can therefore be enforced. The enforcement departments of the general courts are responsible for the recognition and enforcement of foreign judgements. Prerequisite for recognition is apart from being respectfully congruent with Sharia Law, also the guarantee of reciprocity. This requires a corresponding bi or multilateral agreement under international law, which in contrast to Germany is however missing. In the absence of such a state contract, recognition of German decisions is mostly excluded, so that enforcement in Saudi Arabia is required on a regular basis.

OUT OF COURT SETTLEMENT

The settlement of disputes out of court is of great importance in Saudi Arabia. This can be traced back to cultural reasons as well as the understanding of values in Saudi Arabia. The need to get a court involved to settle disputes is frowned upon in Saudi Arabia and is considered to be not honourable.

It is for that reason that dispute settlements through mediation and arbitration enjoy a preferred and respected position. In general, by settling disputes this way, agreements are quickly found.

Arbitration courts do also shape the Saudi Arabian legal understanding. In 2012 an arbitration law was enforced that clearly defines all matters in this regard and hence forward enables extensive approaches in line with arbitration judicial processes. Content wise the law orientated itself on the UNCITRAL Arbitration Rules, which include an extensive procedural rule for ad-hoc arbitration judicial processes. Since then, the content of the arbitration process fulfils international standards and is in line with Sharia Law where simultaneously the involved parties are granted great flexibility in structuring the arbitration proceeding.

In order to be eligible for a hearing in front of the arbitration courts the parties are required to decide on an arbitration agreement. This agreement can be informal and even come into existence after the disputes had arisen. However, due to legal security, it is advisable to sign a formal agreement prior to coming into existence of the disputes. The law largely leaves the disputing parties to determine the arbitration proceedings independently. They can for instance freely decide upon the applicable law, the location of the responsible court, the respective arbitration law and the starting date of the concerned procedure. From a procedural point of view, the disputing parties are allowed to call in witnesses to the procedure.

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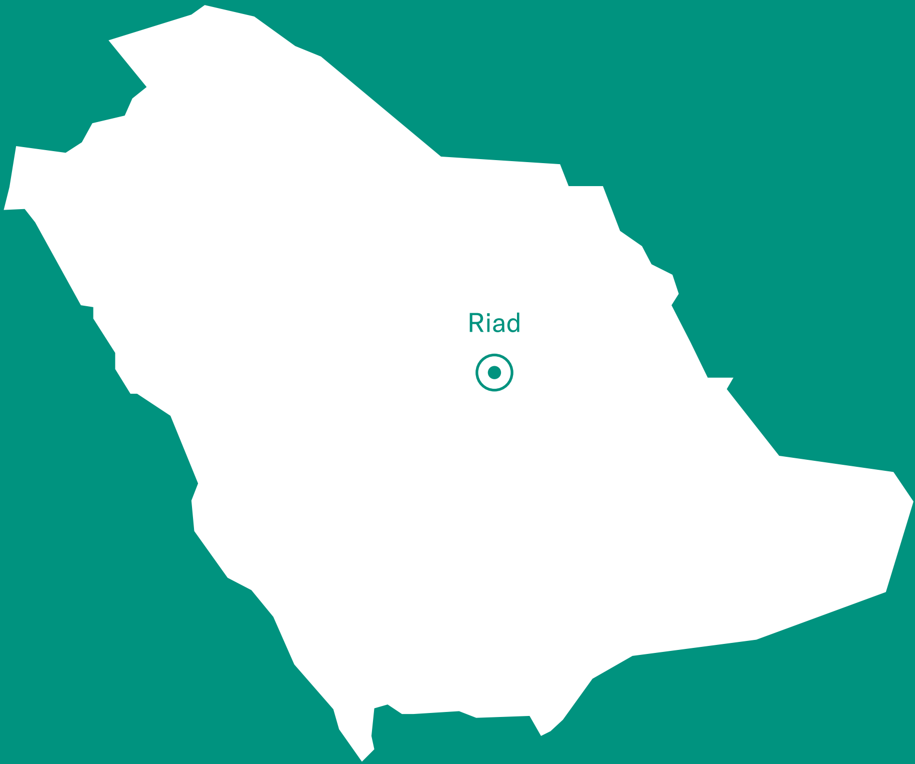
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