

ZAPEO 



COUNTRY GUIDE: SAUDI ARABIA

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<https://zapeo.net/saudi-arabia/>

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ABOUT US

ZAPEO is an International PEO co-employer providing Employer of Record (EOR) Services in more than 113 countries around the world.

As an EOR, we provide employment contracts, payroll employees, pay over any taxes and statutory contributions and provide sponsorship for visa applications in order to comply with specific laws and regulations in the country.

We also assist with onboarding and termination of both local or expatriate employees.

BENEFITS

- Legal compliance
- Time and cost savings
- Access to global talent
- Flexibility
- Reduced liability
- Expertise



WORK PERMITS AND VISAS



There are three main types of visas in Saudi Arabia:

- Employment visas
- Business visit visas
- Family visit/residence visas

To work in Saudi Arabia, you must first get a residency permission (Iqama), which permits you to work for a set period of time (up to two years).

Anyone relocating to Saudi Arabia for employment must have a Saudi employer who will act as a sponsor. Furthermore, in order to hire foreign citizens, the enterprise must obtain visa permission from the Saudi Ministry of Labor.

EMPLOYMENT CONTRACTS



Probation period

If stated in the employment contract, the probation term should not be more than 90 days. It may, however, be extended for up to 180 days with the parties' written consent.

Notice period

Article 75 is revised to raise the notice time for terminating indefinite term contracts from 30 to 60 days for workers paid monthly and from 15 to 30 days for all other employees.

Minimum wage

Saudi Arabia's annual minimum salary is \$7,585.00 (about SAR 28 500).

Working hours and overtime

Working hours in Saudi Arabia are 48 hours per week which is lowered to 36 hours per week during the month of Ramadan. Overtime is paid at 100% of the employee's regular hourly wage plus a bonus rate of 50% of basic pay. On Fridays and public holidays, all labor is considered overtime.

Termination

Saudi labor law requires employers to have legitimate grounds to fire an employee, and employees are entitled to a service payment if their employment is terminated. Employers have three options for terminating employees: not extending the contract, not changing the contract to a long-term employee contract, or dismissing the employee as a result of an occurrence that breaches the terms of the contract. Only Saudi nationals have indefinite work contracts, while expatriate employees are fixed-term employees with the expiration date of their work permit acting as the termination date.

EMPLOYMENT CONTRACTS



Severance

The government also provides hefty severance compensation, which is 15 days of earnings for the first five years of employment, followed by a full month of income for each year following that. This severance package differs for Saudi nationals, who are entitled to severance compensation based on their employment contract.

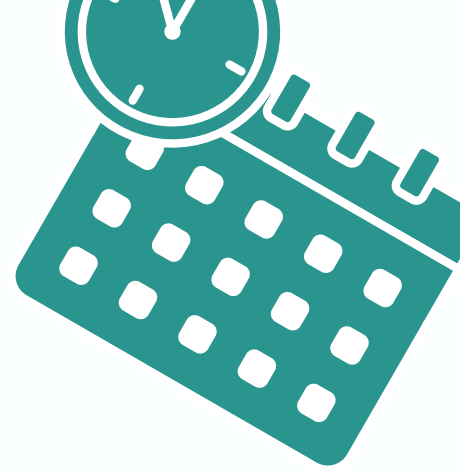
Non-compete clause

The Labor Law expressly permits non-compete provisions, subject to specific restrictions outlined in Article 83.

Collective bargaining

No trade unions.

PAID TIME OFF



Annual Vacation

The mandatory minimum amount of vacation time is 21 days. The statutory minimum is 30 days after the sixth year of work. Most firms give 30 days of vacation beginning with the first year, with top management often earning 40 or more vacation days. It is legal to enable unused time to be carried over to the next year. It is also possible to limit carryover.

Sick

Employees are often granted up to four months of sick leave if a medical certificate is provided. Sick leave is compensated as follows:

- 100% for the first 30 days
- From 31 to 90 days: 75% of all
- Unpaid: 91 to 120 days

Maternity

Female employees are normally entitled to ten weeks of paid maternity leave, with up to four weeks taken before the delivery and at least six weeks taken following the birth. The employee is entitled to half pay during this leave if she has been working for at least one year, and full pay if she has been employed for at least three years from the start date of the leave.

Paternity

Paternity leave is paid for three days for fathers.

Family

Following the loss of a parent or child, employees are entitled to 5 days of paid leave. Female Muslim employees who have lost a spouse are entitled to four months and ten days of compassionate leave. Female non-Muslim employees are entitled to 15 days of compassionate leave. Male employees who lose their spouse are entitled to five days of compassionate leave.

National Holidays

There are in total 9 paid public holidays.

Other Paid Time Off

Discretionary time off, leave for illness and leave for education.

EMPLOYEE BENEFITS



Statutory

Unemployment

N/A

Workers compensation

Covered by Social Security.

Social Security

2% for non-Saudi employees (occupational hazard) paid by the employer. For Saudi employees, the rate is 22%, and is paid by both the employee (10% = 9% social insurance + 1% unemployment insurance [SANED]) and the employer (12% = 9% social insurance + 2% occupational hazard + 1% unemployment insurance [SANED]).

Retirement

Covered by Social Security.

Health

Saudi nationals and government employees have access to the country's public healthcare system. Non-nationals have been required to get health insurance, which must be provided by their employers.

Private

Workers compensation

N/A

Retirement

N/A

Health

Private health insurance available.

Life

Private life Insurance available.

TAX



Personal Income Tax (PIT)

- **Tax year** : Tax year runs from January 1st to December 31st.
- **Tax rate** : N/A
- **Tax method** : N/A
- **Tax residency requirements** : For a taxable year, an individual is deemed a resident in Saudi Arabia if he or she fits one of the two qualifications listed below:
 - One has a permanent place of abode in Saudi Arabia and spends at least 30 days in the taxable year in Saudi Arabia.
 - In the taxable year, one must spend at least 183 days in Saudi Arabia.
 - Except in the event of a person in transit between two sites outside Saudi Arabia, residence in Saudi Arabia for part of a day is considered residence for the entire day when determining the number of days.
- **Double taxation agreements (DTA's)** : Saudi Arabia has multiple double tax agreements with other countries.

Investment Income Tax

Capital gains are taxed at the usual income tax or Zakat rate, whichever is applicable. Dividend income received by a resident party is liable to income tax at the standard rate. Dividends given to a non-resident person, on the other hand, are subject to WHT at a rate of 5%. Interest income is taxed at the standard income tax rate. However, interest paid to a non-resident is subject to WHT at a rate of 5%. Royalty income is taxed at the standard income tax rate. Royalties given to a non-resident party, on the other hand, are subject to WHT at a rate of 15%.

Taxable Income

Salaries, wages, and allowances received by working persons are not subject to income tax.

PAYROLL



Payroll Elements

- **Income:** Salaries, wages, and allowances received by working persons are not subject to income tax.
- **Deductions:** Mandatory contributions.
- **Benefits in Kind:** Benefits in kind are simple payments in kind and company subsidies offered for workers' personal or social needs. Also, depending on its purpose, money provided to employees may be considered a kind benefit and may be excluded from tax and premium contributions.
- **Employer contributions:** Unemployment and Social security.

Payroll Taxes

Social Security.

Payroll Calendar

Payroll is done weekly or monthly in Saudi Arabia. The employer is required to pay weekly employees once a week and monthly paid employees at least once a month.

LEGISLATION AND STATUTORY BODIES



LEGISLATION

- KSA Labor Law

STATUTORY BODIES

- General Authority of Zakat and Tax (GAZT)
- Social Security Fund (GOSI)



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information or a **FREE**
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