

KHOSHAIM & ASSOCIATES

Client Bulletin - Saudi Arabian Economic Measures in Response to COVID-19

25 March 2020

Introduction

The current severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) pandemic (“**COVID-19**”) has caused a crisis for the world economy and markets. As the COVID-19 outbreak continues to spread and escalate, the Saudi Arabian government has taken a proactive role to mitigate the economic risks and the disruptions caused by COVID-19.

The Ministry of Finance, the Ministry of Industry and Mineral Resources, and the Saudi Arabian Monetary Authority announced a number of comprehensive financial measures to provide relief and liquidity to Saudi Arabia’s growing private sector. These measures include the allocation of more than SAR 120 billion consisting of, among other things, exemptions and the deferral of payment of some government fees.

This bulletin provides a summary of some of those measures.

Ministry of Finance:

1. Employers and business owners may:
 - a. get a refund on work visa fees that were not used during the ban on entry to and exit from the Kingdom or extend such visas for 90 days, without charge; and
 - b. extend exit and re-entry visas that were not used during the ban on entry to and exit from the Kingdom for 90 days, without charge.
2. Expat residency permits that expired or whose residency permits expire between now and June 30, 2020 are extended for a period of 90 days, without charge.
3. Postponing the collection of customs duties on imports for 30 days, subject to providing a bank guarantee covering the next 3 months.
4. Payment of some government and municipal services fees are postponed for 90 days. The 90-day period may be further extended for the most affected businesses.
5. Authorizing the Minister of Finance to approve lending and other forms of finance, and to waive fees and interest, for entities that obtained loans under the Corporate Sustainability Program initiative until the end of 2020.
6. Forming a committee chaired by the Minister of Finance that includes each of the Minister of Economy and Planning, the Minister of Commerce, the Minister of Industry and Mineral Resources, the Vice Chairman of the National Development Fund’s Board of Directors and the Governor of the National Development Fund, which will:

- a. identify and review incentives, facilities, and other initiatives to mitigate the current economic situation in light of the implications of the COVID-19, the impact of the precautionary measures adopted by the Saudi Arabian government, and the low oil prices;
- b. establish the criteria for designing and applying initiatives;
- c. budget and allocate the necessary funds to support these initiatives;
- d. reallocate funds between the National Development Fund, banks, and the Saudi Export-Import Bank; and
- e. direct the Kafala program and the General Authority for Small and Medium Enterprises to develop the necessary initiatives to support the objectives of these measures, and to support SMEs from the various resources available at the funds and banks under the National Development Fund.

Ministry of Industry and Mineral Resources (MIM):

MIM announced it will allow the automatic renewal of licenses and permits that expire during the work suspension period and until work is resumed, giving investors additional time to fulfill the requirements to renew those expired licenses and permits. In addition:

2. The Saudi Industrial Development Fund (**SIDF**) will:
 - a. restructure loans and defer loan installments for SMEs, medical projects, and medium to large factories; and
 - b. provide liquidity to SME's by creating new programs to fund SMEs' working capital.
3. The Saudi Authority for Industrial Cities and Technology Zones (**MODON**) will:
 - a. reduce fees by 25% until the end of 2020 for factories that have an operating license;
 - b. postpone payment of fees for affected businesses for 90 days;
 - c. extend the required period to start construction and production for one year; and
 - d. allow amendments of 2020 contracts without additional costs.
4. The Mining Sector:
 - a. MIM will extend:
 - i. the period to issue or renew licenses for a period of 90 days, and to postpone the payment of applicable fees.
 - ii. the validity of issued export and import permits for 90 days; and
 - iii. The validity of expired licenses for 60 days.
 - b. MIM will defer payment of amounts due for 60 days for holders of existing mining licenses.
5. The Royal Commission for Jubail & Yanbu (**RCJY**) will:
 - a. continue to provide services to support investors, and suspend applicable fees until the end of the first half of 2020.
 - b. postpone payment of monthly bills for light industries until the end of the first half of 2020.

- c. extend the Conditional Allocation Notice to 24 months instead of 12 months.
- d. extend the validity of current investment agreements for one year at the same rate as the applicable fees with no additional costs.
- e. grant investors whose current investment agreements are subject to cancelation because of default additional time until the end of 2020 to rectify their default.

The Saudi Arabian Monetary Authority (SAMA)

SAMA announced a package of SAR 50 billion to support the banking sector, financial institutions, and SMEs. In addition, to acknowledge the extraordinary efforts of health professionals, SAMA announced an initiative by Saudi Arabian local banks to defer the payment of credit facility installments for 3 months starting from April for all public and private health personnel.

The General Authority for Zakat and Tax (GAZT)

GAZT followed suit by introducing a number of key measures to support businesses in various sectors through these times. These measures include:

1. Extending the Zakat and tax filing and payment deadlines for 3 months;
2. Expediting refund requests, suspending fines and fees imposed on violators for 3 months, and the postponement of any suspension of services procedures and financial seizures;
3. Deferral of excise duties on imported selective goods until 30 June 2020, subject to the submission of temporary declaration certificates within a specified period of time;
4. Granting Zakat certificates without restrictions for the 2019 fiscal year; and
5. Accepting instalment requests without applying the usual condition of advance payment.

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