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Transforming Business: A New Era in Commercial Registration in Saudi Arabia

The recent enactment of the new Commercial Register Law (“**Law**”) in Saudi Arabia, as per Royal Decree No. (M/83) dated 19/3/1446 AH and Council of Ministers Resolution No. (237) dated 14/3/1446 AH, marks a transformative moment for the Kingdom's business landscape. Set to come into effect on March 30, 2025, the Law modernizes the registration process by establishing a centralized electronic register managed by the Ministry of Commerce (“**MoC**”). The Law mandates registration for all commercial entities, requires timely updates to data, provides clear procedures for cancellations, and introduces a structured penalty framework for non-compliance. Overall, this new Law represents a significant advancement in the regulatory environment, fostering a more reliable and efficient business landscape for traders and companies.

OVERVIEW OF THE OLD COMMERCIAL REGISTER LAW

Key Features:

- **Registration Requirement:** Merchants with capital exceeding /100,000/ Saudi Riyals were required to register within 30 days of either starting their business or reaching the capital threshold.
- **Paper-Based Processes:** The system relied on physical documentation, making access to information cumbersome and slowing down processing times.
- **Detailed Information Requirements:** Traders were required to provide extensive personal and business details, complicating the registration process.
- **Amendment Procedures:** Traders were obliged to submit amendment requests within 30 days, which often led to delays in updating information.
- **Penalties for Violations:** The previous law imposed financial penalties but lacked clear enforcement mechanisms.





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OVERVIEW OF THE NEW COMMERCIAL REGISTER LAW

Key Features:

- **Universal Registration Requirement:** All traders are required to register their businesses, ensuring consistent compliance across the board.
- **Electronic Registration Platform:** An electronic system for submitting registration applications has been introduced, reducing processing time to just 10 days.
- **Streamlined Information Requirements:** Traders are now only required to provide essential data, such as trade name, legal form, and capital, offering greater flexibility.
- **Expedited Amendment Procedures:** Updates to registered information must be made within 15 days, enhancing responsiveness.
- **Clearer Penalty Mechanisms:** The new Law establishes specific penalties for violations, including higher fines for repeat offenses and provisions for issuing warnings prior to imposing fines.

LEGAL PROVISIONS OF THE NEW LAW

The new Commercial Register Law introduces several key legal provisions designed to enhance business registration processes across the Kingdom:

- **Centralized Register (Article One):** The MoC is responsible for maintaining a centralized register that covers all regions of the Kingdom, ensuring a unified approach to business registration.
- **Merchant Registration Requirements (Article Two):** The Law specifies the essential information needed for merchant registration, including personal details and descriptions of business activities, streamlining the application process.
- **Company Registration Process (Article Three):** Clear guidelines are provided for the registration of companies, detailing the necessary documentation and information required to facilitate compliance.
- **Amendment Procedures (Article Four):** Merchants are mandated to submit timely amendment requests for any changes to their registered data, ensuring that records remain accurate and up to date.
- **Chamber of Commerce Membership (Article Five):** All registered entities must deposit a certificate of membership from the Chamber of Commerce, reinforcing the link between businesses and regulatory bodies.
- **Foreign Companies (Article Six):** Specific requirements are outlined for foreign companies seeking to open branches within the Kingdom, ensuring that international entities adhere to local regulations.
- **Cancellation Conditions (Article Seven):** The Law defines the circumstances under which a registration can be canceled, such as permanent cessation of trade or the death of the merchant, clarifying the deregistration process.
- **Judicial Notifications (Article Ten):** Judicial authorities are required to notify the commercial registration office of certain judgments, which helps maintain accurate and comprehensive records.



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- **Enforcement Responsibilities (Article Twelve):** Designated employees of the Moc are assigned enforcement responsibilities to ensure compliance with the new regulations, promoting adherence among traders.
- **Penalties for Violations (Article Fifteen):** The Law establishes penalties for violations, which may not exceed /50,000/ Saudi Riyals, with consideration given to the severity of the violation and any harm caused to others.



IMPLICATIONS FOR TRADERS AND COMPANIES

1. Facilitated Registration Procedures

- **Faster Registration:** Traders can now complete the registration process at a fraction of the time, allowing for quicker commencement of business activities.
- **Electronic Processes:** The ability to submit documents electronically minimizes the need for physical office visits.

2. Improved Transparency

- **Public Access to Data:** Enhanced transparency allows customers and stakeholders to verify business credentials easily, fostering trust.
- **Regular Updates:** The system mandates periodic data updates, ensuring the information remains accurate and reliable.

3. Increased Reliability

- **Legal Standing of Data:** Registered information serves as legal evidence, enhancing protection against fraud and disputes.
- **Accurate Record-Keeping:** The centralized system minimizes errors and ensures all data is up to date.

4. Simplified Amendments

- **Shorter Update Period:** The reduced timeframe for updates encourages traders to keep their information current without significant delays.
- **Quick Error Correction:** Mechanisms are in place for rapid rectification of any inaccuracies.



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5. Reduced Financial Burdens

- **Transparent Penalties:** Defined penalties enable better financial planning and compliance among traders.
- **Warnings Before Fines:** The opportunity for warnings before imposing fines provides traders with a chance to rectify issues without immediate financial penalties.

6. Enhanced Business Relationships

- **Stronger Communication with Government:** Simplified processes improve interactions between traders and government entities, promoting better compliance.
- **Increased Customer Trust:** Improved transparency and reliability foster stronger relationships between businesses and customers.

7. Access to Valuable Information

- **Market Insights:** Traders gain access to essential market data, helping them make informed business decisions.

8. Easier Cancellation and Suspension Processes

- **Swift Cancellation Procedures:** Traders can cancel their registration more efficiently if they cease operations.
- **Defined Suspension Mechanisms:** Clear guidelines on what constitutes a failure to comply facilitate faster resolution processes.

9. Boosting Market Competitiveness

- **Attracting Investments:** A more efficient and transparent business environment is likely to attract local and international investments.
- **Enhanced Business Image:** The Kingdom's commitment to improving the business landscape enhances its image as a reliable place for trade.





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In summary, the new Commercial Register Law represents a major advancement over the previous framework, emphasizing efficiency, transparency, and reliability. By streamlining processes and enhancing access to information, the new system offers significant benefits for traders and companies. It is essential for all stakeholders to familiarize themselves with these changes to fully maximize the advantages presented by the updated regulations.

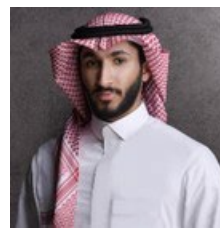
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