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Insights

Saudi Arabia's Draft SEZ Regulations: Considerations for Investors and Regulators

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March 2026

Key Takeaways

- Saudi Arabia's Economic Cities and Special Zones Authority (ECZA) recently issued three new regulations related to Special Economic Zones (SEZs) for public consultation: Companies Rules, Trade Name Rules, and Companies Register Rules. Open until **March 14, 2026**, these consultations offer companies a timely opportunity to help shape the Kingdom's SEZ regulatory framework from the outset.

- They also follow the recent issuance of Cabinet Decision No. 468, which approved the governance and regulatory frameworks for four SEZs: King Abdullah Economic City (KAEC), Ras Al-Khair, Jazan, and the Cloud Computing SEZ. This marks a significant transition from a high-level zone regime to the operational and legal details that will govern market entry and day-to-day operations. While companies operating within SEZs are exempt from the Saudi Companies Law, the Commercial Register Law, and the Trade Names Law, the new consultations will set out the SEZ-specific rules and procedures that effectively replace these regimes, regulating how companies are formed and governed, how they are named, and how they are officially registered.

- These developments are part of a broader national push to make SEZs a key pillar of private sector-driven growth and increase foreign direct investment (FDI). The recent appointment of a new Minister of Investment, Fahd bin Abduljalil bin Ali Al-Saif, further reinforces the Kingdom's intensifying focus on accelerating capital inflows and strengthening the enabling environment for investors.

- This piece analyzes the practical implications of the SEZ implementing regulations and associated consultations, assesses how the new rules may affect companies establishing operations in the Kingdom, benchmarks the updates against international best practices for SEZ governance and regulatory design, and identifies actionable steps for both investors and regulators to maximize value during this implementation phase.

A brief history of Saudi SEZs

Although SEZs are a recent development in Saudi Arabia, the Kingdom has a longer history with other types of decentralized authorities. The Kingdom has established royal commissions and regional development authorities with special regulatory powers, the most mature being the Royal Commission for Jubail and Yanbu (RCJY), which was established in 1975 and acts as a de facto local government, service provider, and operator for industrial cities. More recently, the Kingdom established the Royal Commission for AlUla (RCU), with a Royal Order granting it a transfer of regulatory authority from the relevant national authorities across a wide range of sectors. RCU's legislation has served as inspiration for other authorities, such as the Yanbu, Umluj, al-Wajh, and Duba Development Authority (YUWDDA).

The most direct precursor to the SEZs is the "economic cities" agenda launched in the mid-2000s, pre-dating Vision 2030. The Kingdom established six economic cities, each with different industrial focus areas, as part of an early effort to diversify the economy and attract private sector investment.

This included the King Abdullah Economic City, which now serves as the location of one of the four recently launched SEZs. However, the cities generally fell short of their development targets, partly because they lacked regulatory powers and the ability to provide meaningful incentives, and found it difficult to offer a sufficiently competitive lifestyle proposition relative to established large urban centers. This experience directly informed the establishment of SEZs with significant incentives and regulatory frameworks that differ meaningfully from the base economy.

The Kingdom's first experience establishing a fully-fledged SEZ came in 2022 with the creation of the Riyadh Special Integrated Logistics Zone (SILZ), under the General Authority of Civil Aviation (GACA). Initially tailored to Apple as an anchor investor, SILZ was designed to attract high-value logistics operations by providing proximity to the Riyadh airport and allowing for the storage, processing, assembly, and re-export of goods without customs duties, provided they do not enter the Saudi domestic market. SILZ also offered early investors a broad range of tax-related incentives, including 0% corporate income tax,0% withholding tax, and 100% profit repatriation.

Saudi Arabia's Special Economic Zones + Special Integrated Zone

The four Special Economic Zones launched by ECZA – Jazan, Ras Al-Khair, KAEC, and the Cloud Computing SEZ – build on the experience of both SILZ and the economic cities, with significant incentives, clear sectoral differentiation, and regulatory frameworks that differ meaningfully from the base economy. Jazan SEZ, located in the southwest near a Red Sea port, will focus on food processing, mining, and downstream manufacturing to leverage its strategic position near Africa. The Ras Al-Khair SEZ, located on the Gulf coast, aims to cater to maritime industries and mining companies that can leverage its position near mining projects and port facilities. North of Jeddah, KAEC is strategically located near King Abdullah Port and an adjacent Industrial Valley and is planned as a diversified industrial base for logistics, advanced manufacturing, and automotive assembly. Lastly, the Cloud Computing SEZ, based at the King Abdulaziz City for Science and Technology in Riyadh, aims to attract hyperscale data centers, cloud service providers, and tech firms in order to localize data storage and foster a regional tech hub.

ECZA provides overarching regulatory oversight for the three SEZs outside of Riyadh (Jazan, Ras Al-Khair, KAEC), while zone operators will manage day-to-day operations. Meanwhile, the Riyadh Center for Special Economic Zones, linked to the Royal Commission for Riyadh City (RCRC), currently oversees SILZ in collaboration with GACA and will jointly oversee the Cloud Computing SEZ with ECZA. The RCRC may in future announce additional SEZs in the capital which will also fall under the Riyadh Center's jurisdiction. While Cabinet Decision No. 468 approving the regulatory frameworks of the four existing zones calls for close coordination and alignment between ECZA and the Riyadh Center to fast-track approvals and reduce administrative friction, exact delineations of responsibility between the two have not yet been clarified.

Strategic Considerations for Investors

With the institutional and legal foundations now taking shape, market entrants are facing a key question: What do Saudi Arabia's SEZs offer, and how do the incentives and operating conditions compare with the base economy, as well as regional and global peers?

The four existing SEZs provide a range of incentives designed to compete with leading regional and global zones. Qualifying companies can benefit from a 5% corporate income tax rate (CIT) for up to 20 years (compared with the standard 20% CIT applicable in mainland Saudi Arabia); 0% withholding tax on repatriation of profits; customs relief; VAT advantages for eligible intra-SEZ goods exchanged within and between zones; and flexible regulations to attract foreign talent in the initial five years.

With their governing framework still in its nascent stages, Saudi SEZs likely also offer greater administrative flexibility compared to rival SEZs in the region. For one, the framework itself is still under public consultation, signaling that ECZA is still open to adjusting what the zone offers and the terms of compliance to attract investors. Combined with the competitive incentives, this is an opportune moment for companies with growth plans in the Kingdom to engage with regulators to shape the terms of the zone to their needs.

As companies consider the opportunities presented by SEZs, they should consider taking the following steps:

- **Review regulatory frameworks.** Companies should carefully review the SEZ regulatory frameworks issued earlier this year against their longer-term strategic goals in the Kingdom. Does your business align with the strategic and sectoral focus of any of the zones? Would the incentives offered by the zones meaningfully improve the profitability of your operations in the Kingdom? What are the potential costs and trade-offs of relocating operations to the zones?

- **Participate in public consultations.** Even if companies do not see immediate value in investing in the SEZs, they should consider taking part in the three open public consultations to shape the long-term SEZ rulebook. These consultations offer firms the ability to influence company structuring, trade, and registration mechanics, which could help set favorable benchmarks for the future.

- **Engage early with Zone leaders.** Companies interested in opportunities offered by the SEZs should reach out early to ECZA or to Zone operators directly to begin building the relationship. Early engagement can help companies secure better positions within the zone, work one-on-one with zone operators, and negotiate more favorable terms and greater flexibility with regulators. Companies should leverage the early stages of SEZ development to shape the zones through clustering, anchoring supply chains, and forming potential long-term partnerships. In discussions with zone leaders, companies should be careful to position themselves as partners instead of vendors: demonstrate a clear understanding of the zone's strategic objectives and how your company can contribute to their success – not only what the zone can offer you.

Strategic Considerations for Regulators

Regulators including ECZA and the Riyadh Center for SEZs have a significant opportunity to leverage the current regulatory momentum to strategically position themselves in an otherwise competitive landscape. Doing so will require learning from the lessons of other zones that have succeeded – and in some cases fallen short – at the implementation stage. Regulators should consider the following success factors in particular:

- **Establish a clear identity with investors.** The global landscape for investment is becoming increasingly competitive as governments around the world focus on supply chain localization and seek to attract foreign investment. In this context, Saudi SEZs will need to think carefully about how to differentiate themselves, not only from other SEZs in the region but from established and emerging investment destinations globally. What can zones do to move the needle in boardrooms and build awareness and credibility with c-suite decision-makers? Part of the answer is having a crystal-clear sectoral focus and prioritization.

  Several zones have initially struggled due to a lack of clear focus, leaving private sector investors uncertain about the industries being prioritized. For example, the Khorgos Eastern Gate SEZ, envisioned as a logistics and trade corridor between China and Europe, initially tried to combine tourism, retail, logistics, and manufacturing without clear prioritization. The zone only gained momentum after it narrowed its focus to logistics and rail transshipment.

- **Prioritize regulatory and service streamlining.** Financial incentives, including tax breaks, are an important tool for initial investment attraction, but efficient regulatory processes and services are equally, if not more, important contributors to investor satisfaction. Timely and predictable issuance of approvals, licenses and permits – ideally using digital one-stop-shop platforms – have a measurable impact on business outcomes. In India, early generation SEZs (2005-2015) struggled with the integration of both state and national regulations, sometimes leaving companies to follow parallel approval processes. By contrast, the framework of the UAE's Jebel Ali Free Zone (JAFZA) established from the outset a clear mandate covering company registration, licensing, immigration, and customs. JAFZA also made early efforts to de-conflict and integrate its regulatory operations and services with emirate- and national-level regulatory environments.

- **Leverage digital innovation.** Saudi SEZs have an opportunity to leapfrog more mature SEZs in integrating digital innovation. Most obviously, digital tools can support in streamlining the investor journey. SEZ regulators should ensure their services are digitized and accessible for their intended audiences, minimizing physical touchpoints and approval redundancies. Estonia is a global leader in this area – excepting marriage and divorce, it conducts 100% of its public services online through a secure, decentralized digital ID system. As a result, Estonia's e-government services offer some of the fastest permitting and licensing processes in the world, with company registration in the country taking between a few hours and one business day.

  Regulators should also consider how to embed technology directly into physical infrastructure, leveraging tools such as digital twins, smart logistics systems, and integrated data platforms to optimize service delivery and generate actionable insights. This can help to lower costs by enabling more efficient operations; generate revenue, through the commercialization of real estate, commercial and other data; and accelerate growth, by enabling more targeted, data-informed interventions. The Port of Rotterdam in the Netherlands has created a digital twin – a virtual replica of the entire port system integrating real time operational data. This has improved operational efficiency by optimizing berth allocation and arrival planning; reduced energy and repair costs by an estimated 15-20% by enabling predictive infrastructure management; and enabled the port to better coordinate activities across terminals, shipping lines, and logistics providers.

- **Build long-term international partnerships.** As Saudi SEZs work to attract international investors, they should prioritize building long-term trusted relationships and credibility with investors over quick wins. In line with their strategic and industrial focus areas, zones should prioritize key FDI origin markets and develop a plan to reach their major investor audiences through the right channels. This will require developing tailored engagement, messaging, and communications strategies for each market. What works in a decentralized, unplanned economy like the United States, where corporate leaders are in the driver's seat, will not translate in a highly centralized system like China, where FDI decisions are driven from the top down in line with national strategic priorities.

  Successful investment attraction teams understand this and meet investors where they are, through channels they trust, and in terms that resonate with their interests. Shannon Free Zone in Ireland illustrates this, having pioneered a partnership-driven approach to investment attraction by targeting U.S. based investors as a primary FDI source, through institutional partnerships with the American Chamber of Commerce and major firms like GE and Intel. In line with its positioning as an energy and petrochemicals hub, Juron Island in Singapore focused heavily on building partnerships with major multinational energy and chemical companies from Europe, the U.S., and Japan.

- **Maintain an agile regulatory and strategic positioning.** Even the best-laid regulatory framework or strategic plan rarely survives (fully) first contact with reality. It is therefore important for zones to build flexibility into their implementation approach.

This includes putting in place mechanisms to regularly consult investors and track investor sentiment; conducting ongoing monitoring and evaluation of regulatory framework implementation and compliance; and establishing early warning systems to identify areas requiring intervention before problems take root. Saudi zone regulators may also wish to consider applying the principle of post-implementation review. Commonly used in the public policy world, post-implementation reviews provide a structured, evidence-based methodology for assessing the effectiveness and impact of policies and regulations – but the same disciplined approach can equally be applied to strategies and operational plans.

The Dubai International Financial Centre (DIFC) is an example of a zone that has adapted well to changing conditions rather than sticking rigidly to its original plan. Originally conceived as a pure financial hub, DIFC undertook a major strategy revamp and restructuring after the 2008 financial crisis, expanding into areas such as dispute resolution and establishing the globally recognized DIFC Courts, which have proven a major draw for companies across a wide range of sectors. Over the past decade, DIFC has further expanded into fintech, venture capital, and startup ecosystems, including the launch of the DIFC FinTech Hive. These strategic pivots have allowed DIFC to remain relevant amid changing market dynamics.

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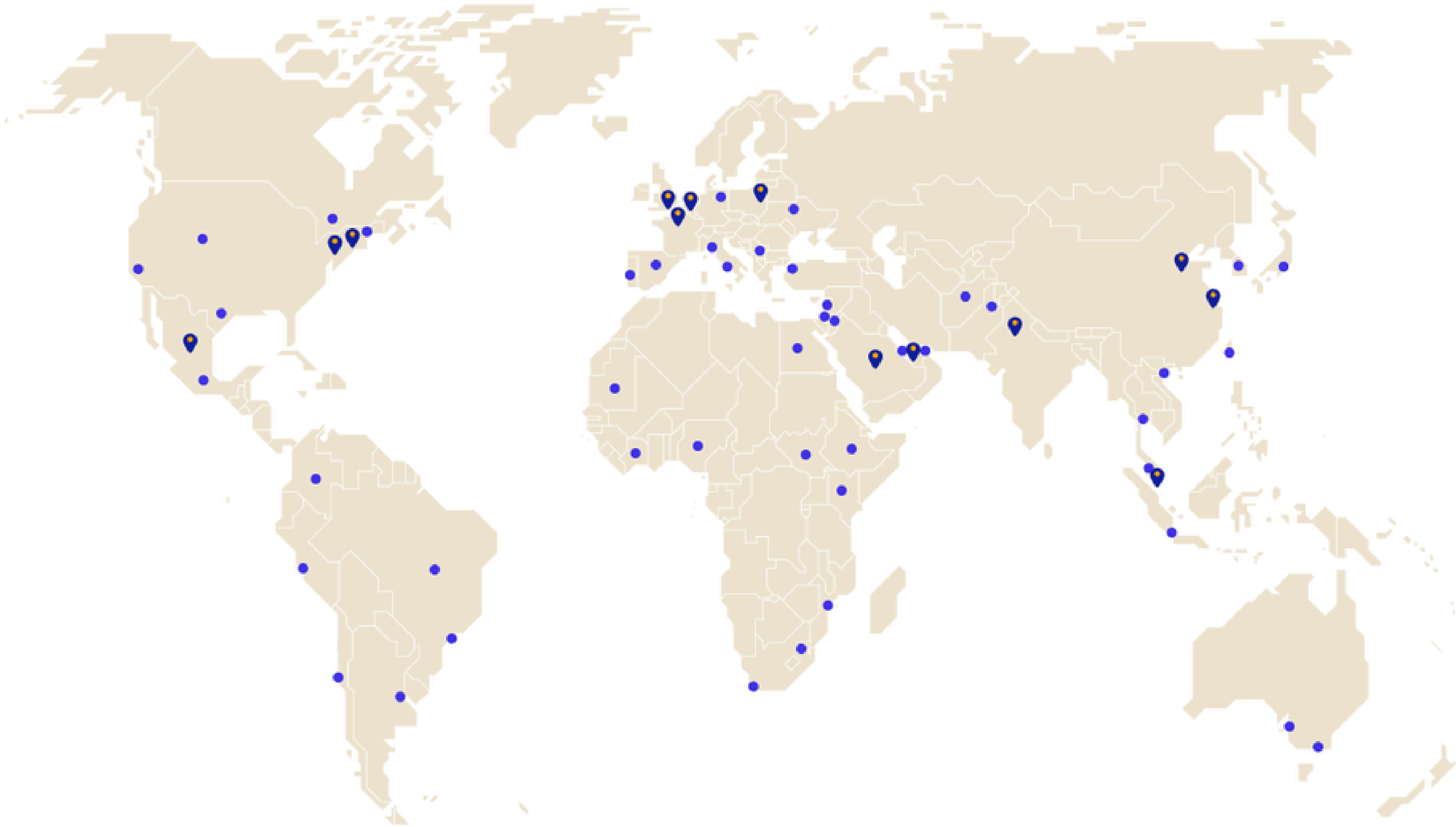

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