



The UAE and Saudi Arabia: A Comparative Analysis as Business Locations

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Both Gulf states have opened their markets to international capital but pursue different models as business locations. Choosing between the UAE and Saudi Arabia therefore requires a holistic assessment extending well beyond the nominal tax burden.

Regional Hub and Growth Market

The investment-law frameworks of the United Arab Emirates (UAE) and Saudi Arabia now permit foreign investors to establish companies and acquire controlling interests across broad sectors of their economies. This does not, however, mean that the legal and economic conditions offered by the two jurisdictions are equivalent. The UAE provides an internationally oriented investment environment with a comparatively low standard tax burden and numerous sector-specific free zones. Saudi Arabia, by contrast, places greater emphasis on access to its domestic market and government-backed investment projects; market access is more closely tied to regulatory requirements concerning a local presence, domestic value creation and employment.

In the UAE, the investment-law framework is governed by federal law, the laws of the individual emirates and the applicable free-zone regulations. In the “onshore” territory, i.e. within the state territory, full foreign ownership is permitted for numerous economic activities. Strategic or particularly regulated sectors may, however, be subject to ownership restrictions, approval requirements or other licensing conditions. Establishing a free-zone company generally facilitates the incorporation and operation of a business but does not in itself confer an unrestricted right to conduct business in the onshore market. Unlike the onshore territory and the free zones, the Dubai International Financial Centre and the Abu Dhabi Global Market have their own English-language courts applying common-law principles in civil and commercial matters.

Saudi law is based on Sharia and is supplemented by a growing body of codified legislation. The Investment Law, which entered into force in 2025, has in principle replaced the licensing regime previously applicable to foreign investors with a registration procedure administered by the Ministry of Investment (MISA). In particular, it strengthens the principle of equal treatment and the protection afforded in respect of property rights, transfers and access to legal remedies. The requirements for commercial registration, sector-specific approvals and capital, as well as statutory restrictions on certain activities and forms of real-estate acquisition, remain in place.

Tax Framework and Overall Tax Burden

In the UAE, taxable income of up to AED 375,000 is generally subject to corporate tax at a rate of zero per cent; the excess is generally taxed at nine per cent. The standard value added tax rate is five per cent. The zero per cent rate available to certain free-zone businesses does not depend solely on residence in a free zone. It requires the entity to qualify as a “Qualifying Free Zone Person”, applies exclusively to qualifying income and is subject, in particular, to substance requirements, compliance with the arm’s-length principle, audited financial statements and the applicable activity and de minimis requirements.

In Saudi Arabia, profits attributable to non-Saudi ownership interests are generally subject to income tax at a rate of 20 per cent; Zakat is generally levied on Saudi or qualifying GCC ownership interests. In addition, value added tax is charged at 15 per cent and, depending on the legal basis and classification of the service, withholding tax at rates generally ranging from five to 20 per cent applies to payments made to non-resident recipients. For the purpose of selecting a business location, the decisive factor is the effective aggregate burden arising from the specific ownership, financing and service structure. Particular consideration must be given

to permanent-establishment risks, transfer pricing, loss relief, distributions and the tax consequences of an exit. Relief under a double taxation agreement is available only if its personal and substantive conditions of application are satisfied and the requisite evidence is provided; the applicable requirements of ZATCA must also be observed.

Regulatory Requirements for Business Operations

In Saudi Arabia, workforce and procurement structures are shaped in particular by the Saudisation quotas under the Nitaqat system, occupational reservations, wage-protection rules and local-content requirements. Rules governing regional headquarters may also apply in the context of public procurement.

In the UAE, Emiratisation requirements are determined in particular by company size, skill level and activity category; differing free-zone rules may apply in addition. In both states, the employment of foreign nationals generally requires a duly licensed or registered employer and the requisite employment and residence permits. Localisation quotas, visa and approval requirements, and consequential employment-law costs should therefore be factored into the legal and commercial structuring of business operations from the outset.

Digital business processes in both states are subject to distinct data-protection regimes backed by fines and other sanctions. International data transfers, processing on behalf of controllers, cloud services, cybersecurity requirements and sector-specific data-localisation obligations must be assessed against the applicable statutory grounds for processing, approval requirements and technical safeguards for each case.

Distribution arrangements must take account of the rules governing commercial agency, franchising, consumer protection and competition, as well as the requirements relating to imports, product registration and product liability. The chosen licensing and distribution structure must lawfully cover the intended activities in the relevant onshore market. A contractual choice of law does not displace the application of mandatory local provisions.

Governing Law and Dispute Resolution

For internationally active businesses, both the governing law and the effective enforceability of contractual and statutory claims are critical. Onshore proceedings in the UAE are generally conducted in Arabic; the DIFC and ADGM, by contrast, have English-language courts with internationally oriented procedural rules. In Saudi Arabia, recourse is available to the commercial courts and to the Saudi Center for Commercial Arbitration as an institutional arbitral body. Both states are parties to the New York Convention. Nevertheless, the

recognition and enforcement of foreign judgments or arbitral awards depend on international and territorial jurisdiction, proper service, the arbitrability of the subject matter and compatibility with the relevant public policy.

Contract drafting must address the governing contract language, precedence in the event of discrepancies between language versions, evidence of representation and authority, tax and compliance clauses, termination rights, and an effective jurisdiction or arbitration agreement. Where a contractual counterparty is a state or state-affiliated entity, procurement and approval requirements, as well as potential immunity from enforcement, must also be considered. Provisions governing share transfers, reorganisations, liquidation and insolvency should be addressed at the contracting and structuring stage. In the case of Saudi Arabia, an arbitration agreement should be reviewed to ensure compliance with mandatory law and Sharia principles, enforceability, and the legal status of the counterparty.

Legal Criteria for Selecting a Business Location

The UAE is particularly suitable for regional holding, services or trading structures. Key locational advantages include its international infrastructure, access to skilled labour and comparatively low standard tax burden. Selecting a free zone, however, requires confirmation that its substantive and territorial scope legally accommodates the intended activity, customer base and required access to the UAE onshore market.

Saudi Arabia, by contrast, may be preferable where the domestic sales market, participation in public procurement procedures, industrial value creation or projects associated with Vision 2030 are central to the business model. Special economic zones may offer tax or regulatory incentives. Access to such incentives, however, depends on satisfaction of the applicable personal, substantive, territorial and temporal conditions.

There is therefore no single business location that is inherently superior. Rather, a case-specific legal review and commercial quantification are required, covering in particular the proposed activities and ownership structure, corporate form, licensing and market access, aggregate tax burden, employment, data-protection and product-law requirements, and eligibility for public procurement. The decisive considerations are whether the business model primarily requires a regional platform or direct access to the Saudi market, and what consequential legal and commercial costs arise from the respective structure.

If you would like to understand the key differences between the UAE and Saudi Arabia as business locations and how these may affect your business setup and operations, our team at **Meyer-Reumann & Partners** (christine@meyer-reumann.com) would be happy to assist you with evaluating the relevant regulatory, tax and business considerations for your specific circumstances.

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