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2026

ANNUAL GUIDE

Another record year in Saudi Arabia



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The Kingdom of Saudi Arabia's 2025 legal reforms build upon the momentum of previous years, introducing several pivotal changes – particularly in the investment and real estate sectors. These legislative updates are designed to enhance Saudi Arabia's business climate, making it more accessible and attractive to both domestic and international investors. Key reforms include amendments to the implementing regulations of the new investment law, the White Land Law, alternative dispute resolution (ADR) framework and foreign ownership of real estate law. Due to the regulatory environment in Saudi Arabia, almost all such opportunities can easily be structured on a Shariah compliant basis.

These initiatives reflect Saudi Arabia's commitment to aligning its regulatory framework with evolving economic priorities and investor needs, especially as new challenges arise in the global investment landscape. In line with Saudi Arabia's well-known Vision 2030, Saudi legislative bodies are proactively shaping laws that not only respond to current demands but also anticipate future developments, ensuring world-class standards in service and quality.

Collectively, these reforms reinforce Saudi Arabia's position as a premier destination for investment and a strategic hub for businesses seeking to establish a presence in the region.

Review of 2025

Saudi Arabia has issued several new laws including amendments to other existing laws. Below, we highlight those of particular interest:

The Implementing Regulations of the New Investment Law, Ministerial Decision 1086 (Investment Law IRs): The Investment Law IRs supplements and provides further guidance on Saudi Arabia's new investment law, Royal Decree number M/19 (New Investment Law). For instance, the New Investment Law establishes the fundamental principles of foreign investment protection such as national treatment, fair and equitable treatment as well as freedom of movement of foreign capital.

The Investment Law IRs also codifies the foreign investment procedural processes in Saudi Arabia which was mainly based on informal processes established by the Ministry of Investment of Saudi Arabia. Such codification limits the Ministry of Investment's discretion in requesting documentation from foreign investors. The Investment Law IRs further codified other processes such as applications for request investment statistics, complaints procedures and procedures related to investment rights suspensions.

New Amendment to the White Land Law, Royal Decree M/4 (White Lands Amendment): The new amendment to the White Land tax system was first issued by royal decree in late 2015 and came into effect in 2016. It imposed a fixed fee of 2.5% of the land value on white land located within urban areas with an area exceeding 10,000 square meters. The goal at the time was to stimulate development and limit the monopoly on undeveloped land. The key changes in the White Lands Amendment include expanding the scope of the law to cover vacant buildings that remain unused without valid justification in urban areas.

In terms of taxation, undeveloped land will now be subject to an annual levy of up to 10% of its assessed value, a substantial increase from the previous rate of 2.5%. Vacant properties, on the other hand, will be taxed based on their estimated rental value, which is intended to encourage owners to either utilize or lease these buildings rather than leaving them idle. The primary goal of these changes is to discourage land hoarding and ensure that urban land is used more efficiently. As for implementation, regulations concerning white land are expected to be published within 90 days of the law's decree. Regulations for vacant properties are anticipated within a year.

Preview of 2026

Council of Ministers Resolution on Strengthening Arbitration and ADR Framework (Arbitration and ADR Framework Resolution): The Council of Ministers of Saudi Arabia recently passed a resolution to strengthen the country's arbitration and ADR framework, demonstrating a continued commitment to a range of legal reforms central to its Vision 2030 strategy. The resolution outlines strategic measures to enhance efficiency, increase transparency and align with international best practices in dispute resolution, with the aim of strengthening investor confidence in the country and the region.

For international parties and legal practitioners, this fosters a more stable, transparent and arbitration-friendly jurisdiction. The resolution therefore reflects yet another step to strengthen Saudi Arabia's reputation as a trusted hub for international dispute resolution. Furthermore, it mandates commercial operators to establish bank accounts directly linked to their unified national commercial registration. This measure is designed to enhance reliability and maintain the integrity of the national commercial register.

New Legal Framework for Foreign Ownership of Real Estate issued by Council of Ministers Resolution No. (M/14) (New Foreign Ownership of Real Estate Law): The New Foreign Ownership of Real Estate Law repeals and replaces the Law of Real Estate Ownership and Investment by Non-Saudis and introduces a fundamental overhaul of the foreign ownership regime for real estate in Saudi Arabia, replacing previously restrictive and fragmented rules with a model governed predominantly by geographical zoning. Non-Saudis may own property or hold in rem rights over property within the designated geographical zones determined by Real Estate General Authority (REGA). The New Foreign Ownership of Real Estate determines the following types of permitted in rem rights: (i) maximum ownership limits for non-Saudis, (ii) maximum durations for usufruct rights, and (iii) conditions relating to non-Saudi ownership or acquisition of in rem rights. The Council of Ministers and REGA are expected to publish the 'Geographic Scope Document' outlining the geographical zones which will include specific locations, permitted ownership limits, rights and limits of ownership, permitted duration and regulatory controls.

Conclusion

Saudi Arabia's legal reforms in 2025 represent a step forward and towards creating a modern investor friendly environment. This is possible via Saudi Arabia's introduction of comprehensive changes across the aforementioned sectors thereby encouraging investment in key sectors such as real estate and other sectors. This is further supplemented by the rights provided to foreign investors and legal mechanisms such as the alignment of arbitration and ADR with international standards offering investors legal certainty and confidence with investing in Saudi Arabia. Overall, with the implementation of Vision 2030, Saudi Arabia is taking a proactive approach by continuously ensuring that its legal framework meets the needs and requirements of foreign investors providing for a global hub for business and investment. 📌