



ATLAS
BY BNP PARIBAS

CASH MANAGEMENT

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BNP PARIBAS

The bank
for a changing
world

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Saudi Arabia is the world's largest oil producer and exporter with almost one-fifth of the world's proven oil reserves. Benefiting from abundant and cheap energy, the industrial sector has gained a leading position, notably in the petrochemical sector. Economic activity remains linked to oil revenues and has slowed markedly since the drop in oil prices at end-2014. The surge in US shale oil production has challenged the leading role of Saudi Arabia in the oil market until 2019.

Macroeconomic balances, which used to be healthy, have turned to deficit with the decline in oil prices, and fiscal deficit have been recurrent since 2014. Public debt is moderate (32% of GDP in 2020), but it is increasing. It is largely compensated by public external assets (roughly equivalent to GDP). The SAR peg to the USD is strong.

The country faces two important challenges in the medium and long term: to create enough private sector jobs for a large and growing population, and to reduce domestic energy consumption in order to preserve the oil export capacity. A national transformation plan (Vision 2030) is expected to accelerate the pace of reform and create new economic opportunities outside the hydrocarbon sector, notably with the development of new cities and of the service sector. The sovereign fund PIF (around USD 400bn or 57% of GDP in 2020) is expected to partially finance those investments, but the current difficult economic environment could delay those costly projects. The sharp deterioration in the fiscal situation in 2020 (with a sharp drop in oil revenues given the lower price, and a cut in production) has resulted in austerity measures that will severely affect household demand, a key driver of non-oil GDP growth. Given the economic rigidity in Saudi Arabia, especially in the employment market, and limited economic competitiveness outside its energy-intensive industries, economic diversification is expected to progress very slowly.

Summary

BNP Paribas presence

BNP Paribas has a branch based in Riyadh (the only foreign bank to operate as a branch rather than a subsidiary) and offers domestic and cross-border cash management, liquidity and international trade finance solutions to both corporations headquartered in Saudi Arabia that are expanding overseas, and multinational corporations with a presence in Saudi Arabia.

Currency

Currency

- Saudi Riyal (SAR).

Exchange rates

	2016	2017	2018	2019	2020
Exchange rate: SAR per USD	3.7500	3.7500	3.7500	3.7500	3.7500

Source: IMF, International Financial Statistics, June 2021.

Central Bank

- The Saudi Arabian central bank is the Saudi Arabian Monetary Agency (SAMA - www.sama.gov.sa).

Bank supervision

- Saudi Arabian banks are supervised by SAMA's Banking Control Department.

Bank accounts

Resident / non-resident status

- A company is considered resident in Saudi Arabia if it is registered in Saudi Arabia, its head office is in Saudi Arabia or it is performing contracts or work in Saudi Arabia.

Bank accounts for resident entities

	Within SAUDI ARABIA	Outside SAUDI ARABIA
Local Currency	Permitted without restriction, fully convertible	Not permitted

Foreign Currency	Permitted without restriction, fully convertible	Permitted without restriction, fully convertible
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Bank accounts for non-resident entities

	Within SAUDI ARABIA	Outside SAUDI ARABIA
Local Currency	Permitted for GCC residents subject to SAMA approval. Permitted for non-resident entities but with numerous restrictions	Not permitted
Foreign Currency	Permitted, with numerous restrictions	Not applicable



Lifting fees

- Lifting fees are applied on payments between resident and non-resident bank accounts.











BNP Paribas Cash Management Capabilities

Collections



Cash collections	✓
Cheque collections	✓
Direct debit collections	●
Domestic incoming transfers	✓
Virtual IBAN	●
Virtual accounts	●

International incoming transfers	
Card acquiring	

Payments

Cash withdrawals	
Cheque payments	
Direct debit payments	
Domestic outgoing transfers	
Commercial cards	
Virtual cards	
International outgoing transfers	
SWIFT gpi	
Real-time international payments through BNP Paribas' network	
Card issuing	

Channels

Local e-Banking	
Global e-Banking - Connexis	
SWIFT/ host to host	

Market overview

Cash remains the dominant payment method in Saudi Arabia. However, one of the key pillars of Saudi Arabia's Vision 2030, is to digitally transform the country's payment system and increase the number of non-cash payments in its retail sector to 70%. In September 2020, according to Saudi Payments, 91% of all POS transactions were contactless (66% in 2019); nearly a quarter of all POS payments were mobile payments. In the same month there were 266 million payments via NFC technology, with a value of SAR 27.5 billion. In 2021, a new instant payments system, sarie, was launched.

Electronic banking services are available from most banks. These services are primarily used by larger companies. There is no national electronic banking system in Saudi Arabia, so companies use banks' proprietary services. Esal is a national electronic platform for business payments (e-invoicing). Esal also facilitates factoring for suppliers.

Online and mobile banking services are provided by most banks and are widely used. SADAD is the national EBPP system and enables payments to be made over the phone, online and at ATMs. There are more than a million registered users of SADAD. In 2020, 278,921,008 bills were paid through SADAD, with a value of SAR 481,258,765 thousand.

Payment Systems

SARIE	Type	<ul style="list-style-type: none">• Real time gross settlement.
	Participants	<ul style="list-style-type: none">• 26 direct.
	Transaction types processed	<ul style="list-style-type: none">• Individual and bulk SAR-denominated interbank transfers.• Credit transfers and direct debits.• Net obligations from Saudi Arabia's other payment systems.
	Operating hours	<ul style="list-style-type: none">• 24 hours day, 7 days a week

	Clearing cycle details (e.g. cut-off times)	<ul style="list-style-type: none"> • Payments are cleared and settled in real time. • Same-day settlement. Cut-off time for electronic channels = 14:30 AST, Sunday to Thursday. • Cut-off time for branches = 15:30 AST, Sunday to Thursday. • Final settlement takes place across participant banks' correspondent accounts at SAMA. Participant banks' net positions are settled between 15:30 and 15:45 AST, Saturday to Wednesday, and between 13:00 and 13:15 AST, Thursday.
	System holidays	<ul style="list-style-type: none"> • SARIE system is closed on all Saudi Arabian bank holidays. • Saudi Arabia's bank holidays are: <ul style="list-style-type: none"> • 2nd half 2021: 29-31 July*, 1 August*, 23 September. • 2022: April 30*, 1, 2, 7-9 May*, 8-10 July*, 22 September. <p>* The date shown may vary by plus or minus one day. These dates are derived by converting from a non-Gregorian calendar (e.g., Muslim or Hindu) to the Gregorian calendar. Some of these dates cannot be determined in advance with absolute accuracy, even by the governing authorities. In the case of Muslim dates in particular, the feast days are determined by the sighting of a new/full moon.</p>
ACH	Type	<ul style="list-style-type: none"> • Automated clearing house.
	Participants	<ul style="list-style-type: none"> • All cheque-issuing banks.
	Transaction types processed	<ul style="list-style-type: none"> • SAR-denominated and foreign currency cheques.
	Operating hours	<ul style="list-style-type: none"> • 0800: 17:00 AST.
	Clearing cycle details (e.g. cut off times)	<ul style="list-style-type: none"> • SAR-denominated cheques drawn on banks in Damman, Jeddah or Riyadh are truncated into electronic items and cleared on a next-day basis. • All other SAR-denominated cheques are cleared and settled manually on a three-day cycle. • Foreign currency cheques can take up to 21 days to clear. • Final settlement takes place via SAIRE.
	System holidays	<ul style="list-style-type: none"> • The ACH is closed on all Saudi Arabia's bank holidays. (Dates as above)
SADAD	Type	<ul style="list-style-type: none"> • Electronic bill presentment and payment (EBPP) system.
	Participants	<ul style="list-style-type: none"> • 211 billers including 17 banks.
	Transaction types processed	<ul style="list-style-type: none"> • One-off and high-volume regular payments.

	Operating hours	<ul style="list-style-type: none"> • 24 hours a day, 7 days a week.
	Clearing cycle details (e.g. cut-off times)	<ul style="list-style-type: none"> • Payments are settled on a same-day basis. • <u>Cut-off time</u> = 15:30 AST, Saturday to Wednesday and 13:00 AST, Thursday. • Final settlement takes place at the end of each day via SAIRE.
	System holidays	<ul style="list-style-type: none"> • SADAD is closed on all Saudi Arabia's bank holidays. (Dates as above)
mada	Type	<ul style="list-style-type: none"> • National card processing network for card payments.
	Participants	<ul style="list-style-type: none"> • 17 banks.
	Transaction types processed	<ul style="list-style-type: none"> • All payment card transactions.
	Operating Hours	<ul style="list-style-type: none"> • 24 hours a day, 7 days a week.
	Clearing cycle details (e.g. cut-off times)	<ul style="list-style-type: none"> • Card transactions are settled via SARIE on a same-day basis and with immediate finality.
	System holidays	<ul style="list-style-type: none"> • mada is closed on all Saudi Arabian bank holidays. • Saudi Arabia's bank holidays are: • 2nd half • 2nd half 2019: 9–12 Aug*, 23 Sep • 2020: 22-24 May*, 29-31 July*, 1 August*, 23 September. <p>* The date shown may vary by plus or minus one day. These dates are derived by converting from a non-Gregorian calendar (e.g., Muslim or Hindu) to the Gregorian calendar. Some of these dates cannot be determined in advance with absolute accuracy, even by the governing authorities. In the case of Muslim dates in particular, the feast days are determined by the sighting of a new/full moon.</p>

Credit transfers

- Credit transfers Credit transfers are used by companies to pay salaries and suppliers.
- Credit transfers are available as both paper-based and electronic payment instruments.

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- In 2021, a new instant payment system, sarie, was launched whereby payments can be sent in real time. Customers of local banks can make instant transactions up to SAR 20,000, while users can make transfers up to SAR 2,500 using aliases such as a mobile number or email address. Sarie is built on ISO 20022 messaging standards.
- All credit transfers are settled in real time via SARIE.
- In 2020, a total of 201,606,733 transactions were processed via SARIE (including direct debits), with a value of SAR 60,689,661 million. This was an increase on 2019 figures of 158,983,150 transactions, with a value of SAR 48,210,857 million.

Direct debits

- Direct debits are used for regular payments, such as utility payments.
- Direct are cleared and settled on a same-day basis via SARIE.

Cheques

- The cheque is an important cashless payment instrument, used by both consumers and companies. However, cheque usage is in decline as electronic payment methods become more popular.
- In 2020, 1,882 commercial and personal cheques were processed, with a value of SAR 183,573 million. This is a decline on 2019 figures, of 2,876 cheques processed, with a value of SAR 260,473 million.
- SAR-denominated cheques drawn on banks in Damman, Jeddah or Riyadh are truncated into electronic items and cleared on a next-day basis via the ACH; 90% of all cheques are cleared through these clearing houses. All other SAR-denominated cheques are processed manually on a T+2 cycle at seven other SAMA branches (Al-Madinah, Dammam, Ta'if, Buraydah, Jazan, Tabuk and Abha).
- Foreign currency cheques are settled within 21 days via the ACH.

Card payments

- Card payments are increasingly popular, especially for retail transactions.
- There were 34,336,693 payment cards in circulation at the end of 2020. Over 90% of all cards are debit cards. There are approximately 22 million mada cards in circulation.
- A contactless service for mada cards, mada Atheer, is available for purchases up to SAR 300. Over 72% of all POS terminals support contactless payments.

- Visa and MasterCard-branded cards are the most widely issued.
- Each bank has its own clearing arrangements with the relevant card issuer.
- All cards are issued with EMV chips and must be compatible with mada, the national POS and ATM network.

ATM/POS

- There were 18,299 ATMs in Saudi Arabia at the end of 2020.
- There were 721,060 POS devices in Saudi Arabia at the end of 2020.
- All payments are processed via mada.
- mada links to the Gulf Cooperation Council's (GCC) GCCNet ATM network, as well as to the national networks in Egypt, Iran, Jordan and Lebanon. (The GCC comprises Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE.)
- All ATMs and POS terminals are EMV-compliant.

Electronic wallet

- Electronic money schemes are available in Saudi Arabia.
- There were 5,179,247 e-wallets in use at the end of 2020 (2,837,143 in Q1 2020).
- In 2020, the total volume of e-money transactions was 101,070,700. The total value of e-money transactions totalled SAR 62,741,5472,196.
- There are four providers of e-wallet services in Saudi Arabia, including BayanPay and Hala.
- Sama is currently developing a national QR code platform.

Short term investments

Market overview

Interest payable on credit balances

- Interest-bearing current accounts are available with regulatory approval.

Demand deposits

- Demand deposits denominated in SAR or major foreign currencies are available.

Time deposits

- Time deposits are available in SAR or major foreign currencies for terms up to one year.
- Sharia-compliant investment accounts are also available.

Certificates of deposit

- Domestic banks do not issue certificates of deposit.

Treasury (government) bills

- The Saudi Arabian government issues Treasury bills (T-Bills) at weekly auctions.
- T-bills are issued with terms of one week and one, three, six and 12 months.
- The minimum investment amount is SAR 50,000.

Commercial paper

- Domestic commercial paper is not commonly issued by companies in Saudi Arabia.

Money market funds

- Mutual investment funds, some which are Sharia-compliant, are available.



Repurchase agreements

- Repurchase agreements are commonly available in Saudi Arabia, primarily to larger companies and banks.
- Repurchase agreements can only be arranged domestically and are exempt from withholding tax.

Banker's acceptances

- Banker's acceptances are not widely used in Saudi Arabia.




Trade payments

Documentary credits	
Documentary collections	

Guarantees

Bank guarantees	
Standby letters of credit	

Supply chain management

Receivables	
Payables	
Inventory	

Trade channels

Connexis Trade	
Connexis Supply Chain	
SWIFTNet Trade for Corporates	
Connexis Connect	
	
	

- Saudi Arabia represents one of BNP Paribas Global Trade Solutions' (GTS) key markets, primarily driven by the country's high economic growth. The bank's dedicated sales force, including a senior trade sales executive, middle officers and a trade structurer, supporting infrastructure-related projects that require structured solutions, including Shariah-compliant trade products offered through BNP Paribas Najmah.

International trade

General trade rules

- As a member of the Gulf Cooperation Council (GCC), Saudi Arabia has entered into a customs union with all GCC member states. The GCC comprises Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE.
- As a member of the Greater Arab Free Trade Area (GAFTA), Saudi Arabia has eliminated most trade tariffs with GAFTA member states. GAFTA comprises Algeria, Bahrain, Egypt, Iraq, Kuwait, Lebanon, Libya, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, United Arab Emirates and Yemen.

Trade agreements

- Saudi Arabia has signed free trade agreements (FTA) with European Free Trade Association (EFTA) member states, Australia, Singapore and the USA.
- Saudi Arabia is negotiating a FTA with Pakistan and with the UK.
- The GCC has signed an FTA with EFTA and Singapore. Trade talks are ongoing with the European Union, Mercosur, Japan, China, South Korea, Australia, Pakistan and Turkey. A free trade agreement has been concluded with New Zealand but has not yet been ratified.

Imports / exports

Imports	Cars	Broadcasting equipment	Refined Petroleum	Packaged medicines	Telephones
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Primary Import sources	China (18.0%)	UAE (12.0%)	USA (9.0%)	Germany (5.0%)	
Exports	Crude petroleum	Refined petroleum	Polymers	Industrial alcohols	Natural gas
Export markets	China (20.0%)	India (11.0%)	Japan (11.0%)	South Korea (9.0%)	USA (5.0%)

Import / export volumes

		2016	2017	2018	2019	2020
Exports	- goods USD m	183,607	221,862	294,387	261,617	173,864
	- services USD m	17,253	18,132	20,529	24,243	10,248
Imports	- goods USD m	127,843	123,401	125,638	140,281	125,920
	- services USD m	70,267	78,575	83,952	78,660	53,883
Current account as % GDP		- 3.7	1.5	9.2	4.8	- 2.8

Source: IMF, International Financial Statistics, June 2021.

Trade finance - Imports

Documentation

- The following documentation is required in order to import goods into Saudi Arabia:

- customs declaration
- bill of lading
- delivery order
- goods release notification/ gate pass
- proof of payment for goods (Letter of Credit, bank transfer slip)
- commercial invoice
- certificate of origin
- packing list.

Import licences

- Licences are required for importing armaments, ammunition, alcohol and certain drugs.
- Government approval is also required for importing animals, meat products, seeds, books, tapes, movies, archaeological artefacts, armaments, ammunition, chemical and pharmaceutical products, and certain items containing alcohol.

Import taxes and tariffs

- Tariffs are not set on imports from GCC member states.
- Tariffs are generally not set on imports from GAFTA member states.
- Customs duty rates increased on an extensive range of goods up to 25% from 10 June 2020.
- Excise duty is chargeable on the importation or production of excisable goods released for consumption in Saudi Arabia. The excise duty of 50% on soft drinks and 100% on energy drinks and tobacco.

Financing requirements

- None

Risk mitigation

- None

Prohibited imports

- Prohibited imports are published on a negative list.
- Imports are prohibited from Israel.

Trade finance - Exports

Documentation

The following documentation is required in order to export goods from Saudi Arabia:

- bill of lading
- customs declaration
- commercial invoice
- certificate of origin
- packing list
- proof of payment for goods (Letter of Credit, bank transfer slip).

Export licences

- Licences are generally not required for exports.

Export taxes and tariffs

- None

Financing requirements

- None

Risk mitigation

- Islamic Corporation for Insurance of Investment and Export Credit (ICIEC) provides export credit insurance.

Prohibited exports

- Exports to Israel are prohibited.
- Re-exporting certain goods benefiting from government subsidies is prohibited.

Regulatory requirements

Reporting regulations

- All foreign exchange transactions must reported to SAMA on a monthly basis.
- Loans, advances and foreign investment transactions between residents and non-residents are reported twice a year.

Reporting method

- Banks submit monthly financial reports to SAMA, on behalf of their customers.

Exchange controls

- Exchange controls are administered by SAMA.
- There are no exchange control regulations governing the repatriation of funds, profits or capital after corporate dissolution.
- Transactions with, and use of the currency, of Israel are prohibited.
- Saudi Arabian banks and finance companies require SAMA permission to lend to non-residents, except for interbank transactions and commercial credits.

Taxation

Resident / non-resident

- A company is considered resident in Saudi Arabia if it is registered in accordance with the regulations for companies in Saudi Arabia or if it is headquartered in the kingdom.

Tax authorities

- Department of Zakat and Income Tax (DZIT).

Tax year/ filing

- The tax year is the State's fiscal year. The taxable year of a taxpayer starts from the date it obtains a commercial registration or licence, unless other documents support a different date.
- A taxpayer may use a different tax year in the following circumstances:
- The different year was approved by the Directorate before the effective date of the income tax regulations;
 - The taxpayer uses a Gregorian financial year; or
 - The taxpayer is a member of a group of companies or a branch of a foreign company that uses a different financial year.
 - Tax returns for a corporation must be filed with the tax authorities within 120 days from the fiscal year-end. For partnerships, the deadline is 60 days.
- Taxpayers whose taxable income exceeds SAR 1 million before the deduction of expenses must have the accuracy of the return certified by a licensed certified accountant. Additionally, audited financial statements must be filed with the Ministry of Commerce within six months of the year-end.
- Subject to a minimum payment of over SAR 500,000, tax is collected in three advance payments of 25% of the previous years' tax liability. Payable in the sixth, ninth and 12th month. Any balance is payable within 120 days of the taxpayer's year-end.
- Consolidated returns may be filed only for *zakat* and only in the case of wholly owned subsidiaries. Consolidated returns are not permitted, for income tax purposes.

Financial instruments

- There are no specific tax rules for financial instruments. Non-interest charges, such as commitment fees, arrangement fees, etc. are allowed. There is a limitation on the deductibility of interest paid on loans and swaps. Provisions for losses on all hedges that are charged to the income statement are disallowed for tax purposes until they materialise.

Interest and financing costs

- As noted in the Thin capitalisation section, interest deduction is subject to limitation of loan interest plus half of other income less deductible expenses (excluding interest).

Foreign exchange

- Apart from certain rules for unrealised foreign exchange gains and losses, there are no specific tax rules, because generally accepted accounting standards are followed for tax purposes. Unrealised foreign exchange gains and losses that have been included in the profit and loss account are treated as provisions in arriving at taxable profits, i.e. unrealised exchange losses are added back to net profits, whilst unrealised gains are deducted from net profits.

Advance tax ruling availability

- Taxpayers may request rulings. However, the rulings are non-binding on the tax authorities.

Capital gains tax

- A 20% capital gains tax is imposed on the disposal of shares in a resident company. Capital gains on the disposal of securities traded on a stock exchange outside the Kingdom, are exempt provided the securities are also traded on the Saudi stock exchange.

Withholding tax (subject to tax treaties)

Payments to:	Interest	Dividends	Royalties	Other income
Resident entities	None	None	None	None
Non-resident entities	5%	5%	15%	5% / 15%*

- Payments for rents, insurance premiums, management fees and royalties to non-resident companies are assessed for Saudi Arabian withholding taxes at rates of 5–20%, depending on the type of service provided. The domestic company making the payment is liable for taxes relating to these foreign payments.
- *15% for technical service fees paid to related parties.

Tax treaties / tax information exchange agreements (TIEAs)

- Saudi Arabia has concluded around 50 tax treaties.
- The OECD MLI entered into force on 1 May 2020.

Thin capitalisation

- Saudi Arabia does not have specific thin capitalisation rules.
- The deduction of interest expense is limited to the lesser of the actual expense or interest income, plus 50% of taxable income before interest income and interest expense.

Transfer pricing

- Transfer pricing regulations apply and are generally consistent with OECD guidelines. The concept of 'effective control' has been introduced which broadens the definition of 'related party' for transfer pricing purposes.
- Saudi Arabia is committed to the BEPS Action 13 minimum standard. Saudi Arabian taxpayers that are members of an MNE group with consolidated group revenue exceeding SAR3.2 billion will be subject to CbCR requirements in Saudi Arabia, and will be required to notify the tax authority regarding the submission of the CbCR within 120 days of the end of the reporting year.

Stamp duty

- There is no [stamp duty](#) in Saudi Arabia.

Cash pooling

- There are no specific tax rules that apply to [cash pooling](#) arrangements in Saudi Arabia.

Financial transactions / Banking services tax

- There are no specific taxes on financial transactions/banking services in Saudi Arabia.

All tax information supplied by Deloitte Touche Tohmatsu and Deloitte Highlight 2021 (www.deloitte.com).



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