

SAUDI ARABIA: SIGNIFICANT REFORMS TO COMMERCIAL REGISTRATION AND TRADE NAME LAWS

1. INTRODUCTION

On 17 September 2024, the Saudi Cabinet approved two new laws: the Commercial Registration Law (the **CR Law**) and the Tradenames Law (the **Tradenames Law**), together (the **New Laws**). The New Laws were issued pursuant to a Council of Ministers decision and are expected to be published in Umm Al-Qura, the Saudi Official Gazette in due course. Both New Laws will replace the existing legislative framework and are scheduled to come into force one hundred and eighty (180) days from the date of their publication in the Saudi Official Gazette. Should the regulator see the need, the executive regulations for these New Laws, should ideally provide more detailed guidance on the practical application of the New Laws, and usually issued prior to the New Laws coming into force.

2. PURPOSE AND AIMS OF THE NEW LAWS

The New Laws are designed to further streamline and simplify business operations in Saudi Arabia, in alignment with Vision 2030 and the Kingdom's drive toward economic diversification. The Minister of Commerce, His Excellency Majid bin Abdullah Al-Qasabi, emphasized that these legislative changes aim to reduce administrative burdens on commercial establishments, foster ease of doing business, and modernize the regulatory framework to meet international standards.

The Ministry of Commerce's spokesperson, Abdulrahman Al-Husein, further elaborated on the rationale behind the reforms, stating that the new commercial registration system is based on best international practices and is intended to provide a more efficient and flexible business environment.

3. WHAT ARE THE CHANGES?

Key Changes in the Commercial Registration Law:

The Commercial Registration Law introduces several significant updates to the existing system, including:

- i. **Abolition of Branch Registrations:** The new law eliminates the issuance of commercial registration to branches of companies. Instead, businesses will be issued a single national-level commercial registration.
- ii. **Unified National Commercial Registration:** The new regime replaces the existing regional commercial registration system with one that operates on a national level. This will simplify the registration process and ensure consistency across the Kingdom.
- iii. **Elimination of Registration Renewal Requirements:** The CR Law abolishes the need to renew commercial registrations, which will no longer carry an expiration date. Businesses are, however, required to confirm their operational status on an annual basis.
- iv. **Annual Confirmation of Operations:** Companies must now annually confirm that they are in operation. Failure to do so will lead to the suspension of the commercial registration, and if this status persists for a full year, the registration will be automatically deleted.

- v. **Creation of a Central Electronic Database:** The CR Law mandates the establishment of a central electronic database where the names and data of merchants are recorded, along with the procedures and competencies related to commercial registration.
- vi. **Alternative to Financial Penalties:** The previous law imposed financial penalties for violations. The new CR Law introduces alternative procedures, such as warnings and corrective actions, which can be applied in addition to or instead of financial penalties.
- vii. **Cancellation of Registration After One Year:** Previously, the commercial register was canceled thirty days after notification of a business ceasing operations. Under the new CR law, the cancellation period has been extended to one year after the suspension of registration.

Key Changes in the Tradenames Law

The Tradenames Law introduces several updates aimed at modernizing the naming conventions for businesses and enhancing the protection of trade names. The key changes include:

- i. **Non-Arabic Trade Names Allowed:** Unlike the previous law, the new Tradenames Law permits trade names to include non-Arabic languages, letters, and numbers, reflecting a shift toward greater flexibility in naming conventions.
- ii. **Formal Reservation and Registration Procedures:** The new Tradenames Law sets out a detailed process for reserving and registering trade names, including the conditions for name reservation and the criteria for prohibited names. Trade names can now be reserved for a specific, extendable period prior to registration.
- iii. **Independent Transfer of Trade Names:** The new Tradenames Law allows the tradename to be transferred independently from the commercial establishment, enhancing the commercial value and protection of tradenames.
- iv. **Protection of Reserved or Registered Names:** It is now prohibited to use a reserved or registered trade name without the consent of its owner, providing stronger legal protection for business names.
- v. **Specific Criteria for Prohibited Tradenames:** The previous law provided general guidelines for prohibited trade names. The new Tradenames Law specifies precise criteria, ensuring more clarity and transparency in the registration process.

4. APPLICATION

The New Laws apply to all commercial establishments operating in Saudi Arabia, including both new and existing businesses. For the CR Law, businesses that currently hold sub-registers (branch-level registrations) will have a five-year grace period to comply with the new provisions by either transferring or canceling their registrations. This transition period is intended to minimize disruption and ensure a smooth shift to the new national registration system.

The creation of a centralized database under the CR Law will also streamline administrative processes by linking the commercial registration system with other government services. This will allow businesses to open bank accounts tied directly to their commercial registration, further simplifying financial operations.

5. BUSINESS INCENTIVES AND SIMPLIFICATION

The CR Law and the Tradenames Law are both part of the broader economic reforms under Vision 2030. By eliminating redundant procedures, such as branch-level registrations and the requirement for renewal, the CR Law is expected to reduce operational costs for businesses. Additionally, the streamlined tradename reservation and registration process will simplify branding and marketing efforts for businesses operating in the Kingdom of Saudi Arabia.

6. FREEDOM OF TRADE NAME USAGE

The new Tradenames Law expands the freedom of businesses to select names that align with their branding strategies, reflecting the Kingdom's modernization efforts. This flexibility, combined with stronger protections for registered names, will encourage businesses to invest in the development of unique and distinctive trade names.

CONCLUSION

The introduction of the **Commercial Registration Law** and the **Tradenames Law** is a significant step in modernizing Saudi Arabia's commercial regulatory framework. These reforms are expected to reduce red tape, simplify business operations, and offer greater protections for trade names, all while aligning with the Kingdom's broader economic goals under Vision 2030. With the New Laws coming into force, and businesses begin to transition to the new system, these New Laws will play a pivotal role in enhancing the ease of doing business in Saudi Arabia.

The focus on flexibility, protection, and administrative streamlining demonstrates that the Kingdom continues to position itself as a premier destination for domestic and international investors alike.



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