

## New Regulations of the Initiative for Refunding Government Fees Paid by SMEs for the Fiscal Years (2024-2028)

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## New Regulations of the Initiative for Refunding Government Fees Paid by SMEs for the Fiscal Years (2024-2028)

### Article 1: Definitions:

The following terms and expressions, wherever mentioned herein, shall have the meanings ascribed to them unless the context requires otherwise:

- **Regulations:** New Regulations of the Initiative for Refunding Government Fees Paid by SMEs for the Fiscal Years (2024-2028).
- **Monsha'at:** Small and Medium Enterprises General Authority
- **Board:** Board of Directors of Small and Medium Enterprises General Authority
- **Governor:** Governor of Small and Medium Enterprises General Authority.
- **SME:** Micro, small, or medium-sized enterprises established in accordance with the applicable laws in the Kingdom for engaging in any economic activity.
- **Economic Activity:** An enterprise classification based on the business sector in which the entity operates, in line with the National Guide for Economic Activities (ISIC4).
- **Economic Activities Subject to Licensing Requirements:** Activities that require specialized licensing by a public licensing authority, including industrial, educational, and recreational activities.
- **Nitaqat Mutawar Program:** A program launched by the Ministry of Human Resources and Social Development (HRSD) for the automated calculation of the Saudization coefficient.
- **Certificate of Startup Size:** A document issued by Monsha'at, certifying that an SME falls under the definition of micro, small, or medium enterprises as outlined in the regulatory rules for measuring enterprise size.

### Article 2: Preamble:

These Regulations set forth the provisions related to the implementation of the Initiative for Refunding Government Fees Paid by SMEs for the Fiscal Years (2024-2028), issued pursuant to Royal Orders No. 65096 dated 08/09/1445 AH and No. 47673 dated 02/07/1446 AH. The Initiative aims to alleviate the financial burden on newly established SMEs during their first three years of economic activity, facilitate their startup processes, enhance their prospects for sustainability, and increase their contributions to the country's GDP.

### Article 3: Objectives:

These Regulations are intended to accomplish the following:

- a. Identify the beneficiaries of the Initiative;
- b. Define the process for verifying beneficiary eligibility;
- c. Develop a mechanism to avoid potential circumvention;
- d. Define the violations and penalties that Monsha'at may impose on a beneficiary enterprise violating the provisions of this Regulation.

### Article 4: Validity:

The provisions of these Regulations shall apply to government fees paid and claimed during the period from January 1, 2024, to December 31, 2028. The Board may, by resolution, suspend payments within the aforementioned period once the funds allocated for the Initiative have been exhausted.

### Article 5: SME Compliance Requirements:

1. An SME, whether a head office or a branch, in accordance with relevant laws and instructions, must fulfill the following requirements when requesting a refund for any fee or financial charge specified herein and within the entitlement period:
  - a. A valid commercial registration;
  - b. A valid Certificate of Startup Size;
  - c. A valid activity license for all applicable activities;
  - d. An SME must be wholly owned by Saudis, with exceptions for SMEs engaged in activities classified under categories (A) and (B) in Appendix (1: Activity Classifications).

- e. An SME must not have been engaged in commercial activity for more than three years, and its commercial activity must not have commenced before January 1, 2024. The commencement of activity is defined by the registration of the first employee.
  - f. An SME must meet the Saudization quotas set by HRSD under “Nitaqat Mutawar” Program.<sup>1</sup>
  - g. The shares or equity interests owned by SMEs or individuals must constitute at least 60% of the company's total ownership.
2. Registration and refund applications submitted by establishments shall not be accepted unless they are engaged in an economic activity requiring a license.
  3. No applications for registration in the Initiative shall be accepted after December 31, 2026.
  4. Registration and refund applications shall be submitted online via the channels designated by Monsha'at.

#### **Article 6: Amounts Covered under Initiative:**

1. An SME that meets the requirements outlined in Article 5 hereof shall be entitled to a refund of all the following fees:
  - a. Publication of the company's Articles of Association.
  - b. Issuance and renewal of the SME's commercial registration.
  - c. Conversion of the establishment into a company.
  - d. Subscription to the Chamber of Commerce for the SME and its renewal.
  - e. Municipal licenses for the SME to practice its activity.
  - f. Subscription to Saudi Post for the SME.
  - g. Registration of a single trademark for the SME.
  - h. 80% of the fee for each foreign worker, excluding dependents, capped at a maximum of 30 workers per fiscal year, in accordance with the activity classification specified in Appendix (1: Activity Classifications) and the mechanism for applying the activity support cap outlined in Appendix (2: Implementation of Activity Support Cap Mechanism).
  - i. Issuance and renewal of economic activity licenses.
  - j. Registration of a single patent.
2. The eligible SME shall be refunded the amounts paid at the time of establishment, upon fulfilling the requirements stipulated in Article 5.
3. The refund shall be limited to amounts directly related to the activity covered by this Regulation, or to any orders or instructions connected herewith.

#### **Article 7: SME Obligations:**

The management of the beneficiary SME shall commit to the following:

1. Immediately notify Monsha'at of any changes to the information provided to benefit from the Initiative, including any change in the SME's activity.
2. Oversee the SME's operations and monitor its activities.
3. Ensure the validity of all statutory certificates of the SME during the refund application period.
4. Provide the SME's commercial registration details and its national address.
5. Cooperate with the relevant authorities and facilitate inspection and monitoring procedures.
6. Authorize Monsha'at to access the SME's data from the relevant government entities, including revenues and the number of employees.
7. Refund any excess amounts disbursed erroneously.
8. Provide Monsha'at with any data, reports, or documents it requests for the Initiative implementation.

#### **Article 8: Violations and Penalties:**

1. Without prejudice to the provisions of the relevant laws and regulations, if Monsha'at determines that the SME has: provided misleading material, documents, or data; concealed material information that must be disclosed hereunder; engaged in any form of fraud to obtain support, whether in the support

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<sup>1</sup> Compliance with the approved Saudization quotas includes cases where the SME is exempted or excluded from such quotas.

application or otherwise; failed to meet any eligibility requirements of the Initiative; or breached its obligations under this Regulation, it may take any of the following actions:

- a. Deprive the SME of benefiting from the Initiative;
  - b. Require the SME to refund any amounts disbursed erroneously under this Regulation;
  - c. Suspend the application and refer it to the relevant authorities in case of suspected fraud, pending a final decision.
2. Information shall be deemed material for the application of this Article if it affects eligibility for entitlement.

#### **Article 9: Control and Monitoring:**

1. Monsha'at shall have the power to conduct regular control and monitoring of SMEs benefiting from the Initiative to ensure compliance with the provisions of these Regulations. The SME's management shall provide all requested data and reports to facilitate these duties. Furthermore, Monsha'at may delegate the task of regular control and monitoring to an entity it designates.
2. Monsha'at shall communicate with any relevant entities to verify the accuracy of the information and data provided by the beneficiary SMEs.

#### **Article 10: Grievances and Review Process:**

1. The SME may appeal to Monsha'at regarding a decision issued against it, in accordance with the applicable legal provisions, within 60 days from the date of notification of the decision. If the appeal is dismissed, the SME has the right to challenge the decision before the Board of Grievances within 60 days from the date of notification.
2. Committee(s) may be formed as needed, consisting of at least three members, including one or more legally qualified members. These committees shall consider any objections submitted to Monsha'at regarding ineligibility for entitlement, suspension or reduction of support disbursement, claims for refund of amounts disbursed, or suspension or deprivation of support applications.
3. The Governor shall issue a decision designating the members of the committee(s) referenced in Paragraph (2) of this Article, including their chairperson, work procedure, and financial remuneration.
4. The committee shall decide on the objection within 60 days from the date of submission. The Committee's decisions shall be issued by majority vote and must be reasoned. The objector shall be notified of the outcome of the objection via email or text message to the registered phone number. Notification shall be deemed effective as of the date sent via either method.
5. Appeals shall be filed online via the channels designated by Monsha'at.

#### **Article 11: Monsha'at Competencies and Functions:**

Monsha'at is responsible for enforcing the provisions of these Regulations as follows:

1. Deciding on refund and disbursement requests for eligible SMEs in accordance with the provisions of this Regulation;
2. Establishing the operational mechanism for the Initiative;
3. Drafting periodic reports on the Initiative and submitting them to the Board;
4. Contracting with operating entities for technical, operational, and external audit;
5. Coordinating with relevant entities to prepare a guide for the Initiative, outlining included entities by activity and ensuring updates as needed.
6. Establishing internal committees and work teams.
7. Deciding on submitted objections.

#### **Article 12: Board Duties:**

The Board shall be responsible for approving these Regulations and any amendments, monitoring the Initiative's implementation and its achievement of targets, and submitting proposals and recommendations to the Prime Minister for the development of the Initiative, as deemed appropriate.

#### **Article 13: Final Provisions:**

1. The Governor shall issue the necessary decisions and instructions to implement the provisions of these Regulations.
2. These Regulations shall be published in the Official Gazette and shall enter into force on the date of their publication.

Allah is the grantor of success.

(Appendix 1: Activity Classifications)

Ranking		Category (A) Activities	
1	Manufacturing of chemicals and chemical products	13	Manufacturing of motor vehicles and trailers
2	Manufacturing of machinery and equipment not elsewhere classified.	14	Water transportation
3	Manufacturing of base metals	15	Furniture manufacturing
4	Manufacturing of computers, electronic, and optical products	16	Manufacturing of paper and paper products
5	Manufacturing of fabricated metal products (excluding machinery and equipment)	17	Manufacturing of food products
6	Manufacturing of electrical equipment	18	Air transport
7	Manufacturing of basic pharmaceutical products and pharmaceuticals	19	Garment manufacturing
8	Manufacturing of other non-metallic mineral products	20	Printing and reproduction of recorded media
9	Manufacturing of other transport equipment	21	Manufacturing of leather and related products
10	Manufacturing of rubber and plastic products	22	Manufacturing of wood, wood products, and cork
11	Other manufacturing industries	23	Beverage manufacturing
12	Textile manufacturing	24	Publishing activities

Ranking		Category (B) Activities	
25	Architectural and engineering activities, and technical testing and analysis	38	Sports and recreational activities
26	Mining support service activities	39	Fishing and aquaculture
27	Other mining and quarrying activities	40	Forestry and logging
28	Advertising and market research	41	Rental and leasing activities
29	Food and beverage service activities	42	Other professional, scientific, and technical activities
30	Accommodation service	43	Creative, arts, and entertainment activities
31	Agriculture, animal production, hunting, and related services	44	Head office activities and management consulting services
32	Mining of metal ores	45	Legal and accounting activities
33	Mining of coal and lignite	46	Telecommunications
34	Computer programming, consultancy, and related activities	47	Programming and broadcasting activities
35	Information service activities	48	Warehousing and transport support activities
36	Motion picture, television program, and sound recording activities	49	Land and pipeline transportation
37	Travel agency, tour operator, and reservation services		

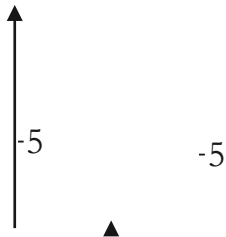


Ranking		Category (C) Activities	
50	Libraries, archives, museums, and other cultural activities	65	Wholesale, excluding motor vehicles and motorcycles
51	Waste collection, treatment, disposal, and materials recovery activities	66	Wholesale and retail, and repair of motor vehicles and motorcycles
52	Utilization activities	67	Retailing in non-specialized stores, mainly selling food, beverages, and tobacco
53	Building and landscaping services	68	Postal and courier activities
54	Security and investigation activities	69	Membership-based organizations
55	Office administration and support activities	70	Non-residential social work
56	Other personal service activities	71	Waste treatment and other waste management activities
57	Real estate activities	72	Accommodation and care services
58	Private education	73	Veterinary activities
59	Building construction	74	Repair, maintenance, and installation of machinery and equipment
60	Specialized construction activities	75	Electricity, gas, steam, and air conditioning supply
61	Civil engineering	76	Public Administration, Defense, and Compulsory Social Security
62	Human health	77	Financial services, excluding insurance and pension funds
63	Repair of computers, personal, and household goods	78	Insurance, reinsurance, and pension funding, excluding social security
64	Retail, excluding motor vehicles and motorcycles	79	Financial and insurance supporting activities

**(Appendix 2: Implementation of Activity Support Cap Mechanism)**

The maximum number of employees eligible under the Initiative based on the activity classification, SME's legal entity, and whether a government licensing authority exists or not.	Activities Classification	Does not require an activity license (companies only)	Requires an activity license (for enterprises - companies)
	Category (A) Activities (24 Activities)	25 employees	30 employees
	Category (B) Activities (25 Activities)	20 employees	25 employees
	Category (C) Activities (30 Activities)	15 employees	20 employees

**Illustration:**



	Priority	License	No. of Employees Refunded the Financial Fees
<b>Pharmaceuticals Factory</b>	Classified under Category (A)	Licensed by SFDA	Max. 30 employees
<b>Drinks &amp; Beverages Catering Establishment</b>	Classified under Category (B)	No activity license required	Ineligible for support
<b>Building Construction Company</b>	Classified under Category (C)	No activity license required	Max. 15 employees