

Saudi Arabia's RHQ Program

Getting the Structure Right from the Start

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Saudi Arabia's Regional Headquarters (RHQ) program is one of the most commercially compelling investment facilitation initiatives to emerge from the Kingdom in recent years. With more than 700 international companies now having established RHQs in Saudi Arabia, across sectors including technology, financial services, energy, healthcare, education and professional services, Riyadh is rapidly consolidating its position as a leading regional headquarters destination for international business.

For international companies considering their Middle East strategy, the RHQ program deserves serious consideration. This bulletin provides a practical overview of the key incentives, principal obligations and structuring considerations relevant to the program.

The RHQ Program: What It Is and What It Offers

Saudi Arabia's RHQ program was established as a cornerstone of Vision 2030, with the objective of attracting leading multinational companies to locate their regional management and decision-making functions in the Kingdom.

An RHQ license permits a qualifying multinational group to establish a regional headquarters in Saudi Arabia, with a mandate to direct, manage and oversee operations across a defined region from the Kingdom. The program is administered by the Ministry of Investment of Saudi Arabia (MISA) and is designed to offer a stable, structured and internationally competitive platform for companies wishing to build a meaningful long-term presence in the region.

Why the Program Is Commercially Compelling: The Incentive Case

1 Priority Access to Government Procurement

RHQ license holders enjoy a significant competitive advantage in relation to Saudi government procurement and opportunities involving government-linked entities. Saudi procurement rules generally restrict government entities from contracting with multinational groups that do not have a regional headquarters in the Kingdom, subject to limited exceptions.

For companies active in sectors where government and government-linked entities are major clients, including infrastructure, technology, healthcare, education, energy and professional services, this is a commercially material advantage that can directly affect the company's ability to win and retain business in Saudi Arabia.

2 A 30-Year Tax Incentive at 0%

The most significant incentive offered under the RHQ program is a package of tax benefits applicable for a period of 30 years from the date the RHQ license is issued. These benefits include:

- 0% corporate income tax on eligible income derived from qualifying RHQ activities; and

- 0% withholding tax on certain qualifying payments made by the RHQ to non-residents, subject to the relevant conditions.

The 30-year duration of these incentives is particularly notable. For a company making a long-term commitment to the Saudi and wider region, the cumulative benefit over the life of the incentive can be substantial.

3 RHQ as a Regional Management and Governance Platform

An RHQ may be established as a limited liability company or as a branch of a foreign entity. Where a company is considering how to coordinate, manage or supervise Saudi or regional operating subsidiaries, the limited liability company structure may carry practical advantages.

The RHQ tax regime may create a potentially efficient structure for eligible income derived from qualifying RHQ activities, together with 0% withholding tax on qualifying payments made by the RHQ to non-residents. However, the incentive should be understood as applying to the RHQ licensed entity and its qualifying RHQ activities, not as a blanket exemption for all income of the wider group.

The published RHQ tax rules are designed to apply the 0% income tax incentive to eligible income derived from qualifying RHQ activities. In practice, this will be most relevant where the RHQ performs genuine regional management, strategic direction, administrative, legal, compliance, treasury, technical support, intellectual property management or similar licensed support functions, and where any intra-group service arrangements are properly documented and supported by arm's length transfer pricing analysis from licensed tax advisers.

4 Intra-Group Service Arrangements

RHQs may enter into service agreements with local operating entities and other group companies to charge for management, administrative and support services. These arrangements should be properly documented and should be reviewed by licensed tax advisers for compliance with arm's length transfer pricing principles.

From a legal structuring perspective, the key issue is to ensure that the respective roles of the RHQ and any Saudi operating entity are clearly delineated. The RHQ should perform licensed regional headquarters functions, while ordinary commercial and revenue-generating activities in Saudi Arabia should generally be conducted through the relevant operating entity.

5 Saudization Flexibility

RHQ entities also benefit from a 10-year exemption from Saudization percentage requirements. This provides additional workforce flexibility during the establishment and growth phase of the RHQ, while the entity builds its regional management team in Saudi Arabia. RHQ entities remain subject to Saudi employment, immigration and labor compliance requirements generally.

6 Premium Residency for Senior Executives

Holding an RHQ license may also facilitate eligibility for premium residency, also known as the Privileged Iqama, for qualifying senior RHQ personnel. This can be a useful relocation and retention tool, particularly for senior executives moving to Riyadh with their families.

While premium residency is not usually the primary driver for establishing an RHQ, it can help reduce practical barriers to attracting senior regional leadership to Saudi Arabia. The eligibility criteria and required compensation package should be reviewed carefully before being presented to incoming executives.

What the RHQ Program Requires: The Principal Obligations

The RHQ program offers significant benefits, but it also carries important compliance obligations. These are not merely administrative formalities. They are substantive requirements intended to ensure that RHQs operate as genuine regional management and decision-making centers in Saudi Arabia, rather than as nominal or paper presences.

Companies considering the program should plan carefully to ensure they can meet these requirements from the outset.

1 Staffing

Within the first year of holding an RHQ license, the RHQ must employ at least 15 full-time employees dedicated to RHQ functions, including at least three senior executives.

For many companies, the staffing requirement is one of the most important practical issues in the application process. The question is not only whether the company can meet the numerical threshold, but whether the proposed team genuinely performs RHQ activities from Saudi Arabia. Where the staffing build-out is expected to be phased, this should be addressed with MISA early and supported by a credible implementation plan, particularly if the company expects any difficulty meeting the standard first-year staffing requirement.

2 Regional Management Authority and Geographic Coverage

The RHQ must exercise genuine management and decision-making authority over a regional business spanning multiple countries. MISA will expect the multinational group to demonstrate a real regional footprint, not merely a nominal plan to expand in the future. This is a substantive requirement. An RHQ that exists only on paper, or that functions merely as a nominal Saudi presence while real regional authority remains outside Saudi Arabia, is unlikely to satisfy the purpose of the program.

Companies whose operations do not fit neatly within a conventional Middle East and North Africa footprint should consider carefully how to define the relevant region for RHQ purposes.

3 Commencement of Core RHQ Activities

The required RHQ activities, including strategic direction and management functions, must commence within six months after the RHQ license is granted. In addition, the RHQ must commence at least three optional RHQ activities before the end of the first year. Compliance should be assessed by reference to actual implementation and operational substance, not merely the description of intended activities in the application.

4 Local Operating Entity and Commercial Activity

Following issuance of the RHQ license, the RHQ entity is required to establish a local operating entity, typically a branch or limited liability company, within six months. Commercial and revenue-generating activities in Saudi Arabia should be conducted through that operating entity rather than through the RHQ itself. This is an important post-license structural step and should be planned and resourced in advance.

Co-location of the RHQ and local operating entity may be possible, but the arrangement should be reviewed against the relevant licensing, lease, municipal and operational requirements.

Special Considerations for Professional Services Firms

Multinational consulting, advisory and professional services firms may require additional structuring analysis because senior RHQ personnel may also be involved in client-facing work. Clients of professional services firms often engage those firms because of the expertise and seniority of the individuals involved. The RHQ structure therefore needs to distinguish clearly between regional management and support functions performed by the RHQ, and client-facing contracting, invoicing and service delivery performed by the Saudi operating entity.

Firms considering this approach should review their proposed structure carefully before submitting the RHQ application or implementing client-facing arrangements in Saudi Arabia.

MISA's Compliance Approach: Engagement before Enforcement

One of the more important practical features of the RHQ program is MISA's engagement-based approach to compliance. Where issues arise, MISA will generally want to understand the licensee's position and the practical reasons for any delay, gap or implementation issue.

This does not mean that compliance obligations can be taken lightly. Suspension of an RHQ license may affect a company's eligibility for government procurement opportunities and its ability to engage with government and government-linked entities. These consequences can be commercially significant. In many cases, a credible remediation plan and proactive engagement with MISA can make a material difference.

Our Team

Bird & Bird's Riyadh-based team advises international companies on market entry, corporate structuring, joint ventures, regulatory compliance and RHQ structuring in Saudi Arabia. We work closely with colleagues across our global network, particularly in technology, financial services, education and other regulated sectors, to deliver coordinated cross-border advice.

We also have experience engaging with MISA and other relevant Saudi authorities, which enables us to support clients in preparing applications, addressing regulatory questions and managing post-license compliance issues. Where tax matters arise, we coordinate with appropriately licensed tax advisers.



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Get in Touch

The RHQ program offers significant and lasting commercial benefits, but the key to capturing them fully lies in getting the structure right from the beginning.

Whether you are evaluating whether the program is right for your organization, preparing an application or seeking to optimize an existing RHQ structure, we would welcome the opportunity to meet with you for a short introductory discussion at no cost, either in person or remotely, to understand your objectives and outline how we can support your priorities.



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