



Highlights of the New Company Law Series

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Activating The Role of Non-Profit Companies



The new Saudi Companies Law has introduced "**non-profit companies**" as a form of companies that can be established in the Kingdom of Saudi Arabia, with the purpose of these companies not being profit oriented. This allows for the achievement of social accomplishments for the public, and the creation of realistic models for companies in which partners participate through endowment instruments (waqf).

The new Companies Law also permits non-profit companies to obtain cash or in-kind returns for their activities, products, and services, and engage in any profitable activity that enables them to spend profits on banks and non-profit sectors, as well as provide bonuses or other benefits to employees of the company. Additionally, they can issue non-negotiable membership certificates in different categories.

The Saudi regulator has classified non-profit companies into two types: public non-profit companies and private non-profit companies. Public non-profit are companies that take the form of joint-stock companies and do not aim to achieve profits for their partners and shareholders. Their sole purpose is to serve the community, and they have the right to accept cash and in-kind donations, endowments, and manage and invest them.

As for Private non-profit companies, on the other hand, can take the form of limited liability companies, joint-stock companies, or simplified joint-stock companies. They do not aim to achieve profits for their partners and shareholders, and their purposes are not limited to those specified in the Companies Law. They may encompass other non-profit purposes.

This series discusses the key updates issued in the new Companies Law issued by Royal Decree No. (M/132) dated 1443/12/01H, which came into effect on 1444/06/07H, approximately six years after the issuance of the previous law in 1437H.



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Disclaimer: This mat does not constitute legal advice; neither does it contain the entire legal procedures stipulated in the law. Also, the purpose of this mat is to draw attention to the significance of the law and its main provisions, however, it does not offer a substitute to careful and detailed legal advice

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