الزمخشري ومشاركوه
Zamakhchary & Co.

Key Differences between Limited Liability Companies and Unlisted Joint Stock Companies

Matter	LLCs	JSCs
Number of Shareholders	Cannot exceed 50. Single shareholder permitted but a natural person cannot establish or own more than one single member LLC and a single member LLC whether owned by a natural or legal person cannot establish or own another single member LLC.	Single shareholder permitted if the shareholder is the State, a public authority, a company wholly-owned by the State or a company which has capital of not less than SR5 million.
Minimum Capital	Sufficient to achieve the company's objects (in practice the Saudi Arabian General Investment Authority (SAGIA) will require initial capital of at least SR500,000 for a foreign owned company).	Not less than SR500,000 (a higher amount may be required by SAGIA for foreign owned companies or by other governmental authorities depending upon the company's objects).
Management	Managed by one or more managers. May have a board but only mandatory if there are more than 20 shareholders.	Managed by a board of directors (between three and 11 members).
Management Liability	Manager(s) are jointly liable for any damages suffered by the company, its shareholders or third parties arising from their breach of the Companies Law or the articles of association or any fault in performing their duties. With the exception of fraud or forgery, an action will be time barred after the later of five years from the end of the fiscal year in which the relevant act occurred or three years from completion of the manager's appointment.	The directors are jointly liable to the company, its shareholders or third parties for damages resulting from their mismanagement, or breach of the Companies Law or the company's bylaws (unless it can be shown they opposed the relevant matter). With the exception of fraud and forgery, any relevant action must be filed within three years from the date of discovery and no actions will be heard after the later of five years from the end the financial year in which the act occurred and three years of the date of expiration of the director's board membership.
Lock-In Period	None.	Two years for founding shareholders.
Form of constitutional documents	Articles of association – some deviation from its standard templates may be permitted by the Ministry of Commerce and Investment (MoCI).	Articles of association and bylaws – MoCI is likely to require that its standard templates are followed without material amendment.
Partially Paid Shares	Not permitted – in accordance with MoCI's current practice companies must have their shares fully paid within 90 days of registration of the company.	Shares must be paid up at least a quarter on incorporation and must be paid up in full within five years or before the company can increase its share capital.

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Capital Increases	Requires unanimous shareholder approval.	Requires approval from 75% of the shares represented at an Extraordinary General Assembly of shareholders (EGA).
Share Buybacks	Only share capital reductions are possible.	May carry out share buybacks if permitted in the company's bylaws and subject to certain restrictions such as the need for an auditor's solvency report and shareholder approval at a general assembly.
Shares Issues to the Public	Not permitted.	Permitted subject to compliance with the Capital Market Authority's rules.
Sukuk and other Debt Instruments Issuance.	Not permitted.	Permitted in accordance with Sharia.
Preference Shares	Not possible.	Permitted (although historically this has been rare).
Pre-emption Rights	On share transfers (not share issues).	On an issue of new shares for cash (not on share transfers) although this may be disapplied by an EGA if permitted by the company's bylaws.
General Assemblies/ Shareholder Approval	> General assembly required at least once annually within four months of financial year end. > Written shareholder decisions permitted if 20 shareholders or less. > The Manager(s), control board, auditor or shareholders holding 10% or more of the shares may request a general meeting. > Decisions require a simple majority, unless the articles of association provide for a different threshold. > Altering the nationality of the company or an increase in the capital (through an increase of the nominal value of the shares or an issue of new shares) require unanimous approval. > Other amendments to articles of association are permitted if shareholders representing 3/4 of the capital vote in favour. In practice unanimous approval to amend the articles may be required by the Notary Public.	> Ordinary General Assembly (OGA) must be held at least once annually within six months of the financial year end. > General or Special meetings of shareholders are convened by the board in accordance with company's bylaws. The board must convene an OGA if requested by the auditor, the Audit Committee or a number of shareholders representing at least 5% of the capital. > EGA must be held to amend the bylaws and approve other issues provided in the bylaws. > Unanimous shareholder approval is required for amendments to the bylaws that deprive a shareholder of its basic rights in such capacity, increase its financial obligations, transfer the company's HQ outside Saudi Arabia or change the company's nationality. > Resolutions at an EGA relating to changes in capital, extending the company's term, dissolving the company or a merger require approval from 75% of the capital - for all other matters a two thirds majority is required.
Annual financial statements	Must be provided to MoCI and all shareholders within four months from the end of the financial year.	Must be (i) deposited at the company's HQ at least 21 days before the relevant OGA, (ii) provided to the shareholders or published in a newspaper, and (iii) provided to MoCI at least 15 days before holding the relevant OGA.

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Employee Share Incentives	Not possible.	Permitted.
Loans and Guarantees	No statutory restrictions.	Loans to directors or shareholders and guarantees for shareholder loans to third parties are prohibited.
Statutory Reserve	Must set aside each year at least 10% of its net profits to constitute a statutory reserve. The shareholders may decide to stop this allocation when the reserve reaches 30% of the capital.	Must set aside each year 10% of the net profits to constitute a statutory reserve. The OGA may decide to discontinue this when the reserve reaches 30% of the paid-up capital.
Capital/Losses Ratio	If the company's losses reach 50% of capital this must be noted in the Commercial Register and a shareholders' meeting called within 90 days to consider continuing or dissolving the company, with the company deemed terminated by law if the shareholders fail to issue a decision to continue or dissolve it.	> If the company's losses reach 50% of capital the board must within 15 days of being notified convene an EGA to be held within 45 days to resolve to increase or decrease the capital of the company so that the losses are below 50% of the paid-up capital or dissolve the company. > The company will be dissolved by law if the EGA is not held within the required period, is unable to issue a decision on the subject or resolves to increase the capital but no subscription is made for the whole increase within 90 days of the EGA decision.