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Saudi Arabia

Payroll & Employment Law Guide

2026 Edition · Last updated June 2026

Labour Law (Royal Decree M/51, 2025 amendments) · New GOSI System (3 July 2025)

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Overview

A reference for employing in the Kingdom

Saudi Arabia pairs a tax-free salary environment with the most actively reformed labour and social-insurance framework in the Gulf. There is no personal income tax, yet employers carry defined obligations for working hours, leave, GOSI contributions, wage protection through Mudad, end-of-service benefits and Saudization. Every employment contract must be registered digitally on Qiwa, and localisation performance is measured continuously through Nitaqat.

Two structural changes shape 2026 payroll: the new GOSI contribution system that took effect on 3 July 2025 and steps up every July, and the extension of the probation period and maternity entitlements under the 2025 Labour Law amendments. Each is covered in the sections that follow.

0%	48h	22%	4,000SAR
PERSONAL INCOME TAX	MAXIMUM WORKING WEEK	NEW GOSI TOTAL · JUL 2025–JUN 2026	SAUDI MINIMUM WAGE

WHAT THIS GUIDE COVERS

I	**Company Setup & Key Platforms**	Entity types, the Regional HQ exemption, and the Qiwa, Mudad and GOSI platforms.
II	**Working Hours & Leave**	Hours and overtime plus the full annual, sick, maternity and statutory-leave regime.
III	**Social Security — GOSI**	The dual pre / post-2024 contribution systems, expatriate rules and the contribution base.
IV	**End-of-Service & WPS/Mudad**	EOSB on termination versus resignation, and Mudad payroll operations.
V	**Hiring, Termination & Expat Costs**	Probation, notice, post-termination steps and the recurring per-expatriate levies.
VI	**Saudization — Nitaqat**	Band consequences, the 26-week rolling measure and the 2026 quota changes.
VII	**Practical Notes**	The checks that prevent the most common and most costly Saudi payroll errors.

I

Company Setup & Key Platforms

Foreign employers can operate through a local entity or an Employer of Record. The limited liability company is the most common investment vehicle, while multinationals establishing a Regional Headquarters gain a ten-year Saudization exemption and unlimited expatriate work visas. Whichever route is chosen, three government platforms govern day-to-day payroll compliance.

ENTITY TYPES

STRUCTURE	WHEN IT IS USED
LLC	Most common foreign-investment structure
JSC (Anonim)	Public offering or strategic partnerships
Branch Office	Direct foreign-company presence
▸ **Regional HQ (RHQ)**	10-year Saudization exemption + unlimited expatriate work visas
EOR	Handles GOSI, Iqama sponsorship, WPS and labour-law obligations without a local entity

GOVERNMENT PLATFORMS

PLATFORM	FUNCTION
Qiwa	Digital labour-contract registration and Nitaqat tracking. Every contract must be uploaded here; unregistered contracts are legally invalid.
Mudad (WPS)	Salary Information File (SIF) upload and wage-payment monitoring.
GOSI Portal	Social-insurance registration and contribution reporting.

> **Why the platform layer matters**
>
> Contract, wage and social-insurance data must reconcile across Qiwa, Mudad and GOSI. A change of salary or position on one platform that is not mirrored on the others is a common source of retrospective penalties.

II

Working Hours & Leave

The Labour Law caps the working week at 48 hours and eight hours per day, reduces hours during Ramadan, and sets out annual, sick, maternity and a broad range of statutory leave. Unused annual leave is compensable on termination.

WORKING HOURS & OVERTIME

- **Standard:** maximum 48 hours/week and 8 hours/day; minimum 30-minute break after 5 consecutive hours; Friday is the general rest day.
- **Ramadan:** 36 hours/week (6 hours/day) for Muslim employees.
- **Overtime:** 150% of the basic hourly wage (a 50% premium); public-holiday work at 150% or a compensatory day off.

ANNUAL, SICK & MATERNITY LEAVE

LEAVE	ENTITLEMENT
Annual — under 5 years	21 days paid (rising to 30 days at 5 years and above). Paid in advance; unused balance compensable on termination (Art. 111)
Sick leave	First 30 days full pay; next 60 days at 75%; final 30 days unpaid; beyond 120 continuous days the employer may terminate (EOSB retained)
▸ **Maternity (2025)**	12 weeks paid (up from 10); ≥4 wks pre / 6 wks post-birth; 100% pay at ≥3 yrs' tenure, else 50%; +1 mo for sick/disabled child; optional +2 mo unpaid; 1 hr/day nursing break in year 1; no termination for maternity illness
Paternity	3 days paid (Art. 113), Saudi and expatriate employees

OTHER STATUTORY LEAVE

TYPE	DURATION
Marriage	5 days paid
Bereavement (spouse/parent/child)	3 days paid
Iddah (female Muslim — spouse's death)	4 months 10 days paid
Hajj	10–15 days paid, once per career (Muslim employees, not previously performed)

> **Verify before payroll**
>
> Maternity-pay tenure threshold (1 vs 3 years) varies by source, so confirm against the current MHRSD circular or Labour Law Art. 151.

III

Social Security — GOSI

There is no personal income tax in Saudi Arabia. Social insurance runs through GOSI, which now operates two parallel systems split by the employee's first contribution date of 3 July 2024. Full pension coverage applies to Saudi nationals; expatriates contribute only to occupational hazards, with their retirement provision met through end-of-service gratuity.

EXISTING SYSTEM — ANY CONTRIBUTION BEFORE 3 JULY 2024 (NATIONALS)

BRANCH	EMPLOYER	EMPLOYEE	TOTAL
Pension / disability / death	9%	9%	18%
Occupational hazards	2%	—	2%
SANED (unemployment)	0.75%	0.75%	1.5%
▸ **Total**	11.75%	9.75%	21.5%

NEW SYSTEM — FIRST REGISTRATION FROM 3 JULY 2024 (EFFECTIVE 3 JULY 2025)

PERIOD	EMPLOYER	EMPLOYEE	TOTAL
▸ **July 2025 – June 2026**	12%	10%	22%
July 2026 – June 2027	12.25%	10.25%	22.5%
July 2027 – June 2028	12.5%	10.5%	23%
July 2028 onward (final)	12.75%	10.75%	23.5%

CONTRIBUTION BASE

ITEM	DETAIL
Base components	Basic salary + housing allowance
Excluded	Transport, overtime, bonus, EOSB and other variable pay
Floor / cap	SAR 1,500/month minimum · SAR 45,000/month maximum
Payment / late penalty	Due end of each Gregorian month; 2% per month on any outstanding amount
▸ **Expatriates (all systems)**	2% occupational hazards, employer only; no pension, retirement provision is EOSB, not GOSI

> **On the July step-up**
> New-system rates rise by 0.5% each July through 2028. The correct rate depends on each employee's Qiwa record; verify at gosi.gov.sa before every payroll run.

IV

End-of-Service & WPS/Mudad

End-of-service benefit is governed by Article 84 and calculated on the last basic salary only, entirely separate from GOSI. The amount an employee receives on resignation is scaled by tenure. Salaries themselves are paid and monitored through the Mudad platform, where two consecutive delays trigger automatic enforcement.

EOSB — EMPLOYER-INITIATED TERMINATION

TENURE	ENTITLEMENT PER COMPLETED YEAR
First 5 years	½ month's basic salary
Year 6 onward	1 full month's basic salary

EOSB — EMPLOYEE RESIGNATION

TENURE AT RESIGNATION	ENTITLEMENT
Less than 2 years	None
2 to under 5 years	⅓ of the termination EOSB
5 to under 10 years	⅔ of the termination EOSB
▸ **10 years and above**	Full EOSB

PAYROLL OPERATIONS — WPS / MUDAD

— Salaries paid in SAR by bank transfer through Mudad; SIF uploaded no later than 30 days after payday.

— Payment within 7 days of the contracted pay date.

— **Two consecutive delays:** automatic red flag; new permits blocked.

— **Three months unpaid:** the employee may transfer employer without authorisation.

V

Hiring, Termination & Expat Costs

The 2025 amendments doubled the maximum probation period to 180 days, documented in the Qiwa digital contract. Notice runs at 60 days for unlimited-term contracts, and all dues must be settled before an expatriate employee's final departure. Beyond salary, employers should budget for the recurring per-expatriate levies below.

PROBATION & NOTICE

Probation	Maximum 180 days (extended from 90 by the 2025 amendment); must be documented in the Qiwa contract. Either party may terminate on 30 days' notice during probation.
Unlimited-term notice	60 days for both employer termination and employee resignation.
Fixed-term	Early employer termination requires compensation for the remaining term.
Post-termination	All dues settled before departure; Qiwa and GOSI updated on the last working day; Iqama cancelled before exit; passport retention is prohibited.

EXPATRIATE COST ITEMS

ITEM	COST	NOTES
Worker visa service fee	SAR 100/yr	Per expat, all nationalities
Monthly expat levy (Nitaqat Green)	SAR 700/mo	If expats ≤ Saudi headcount
Monthly expat levy (non-compliant)	SAR 800/mo	If expats > Saudi headcount
Industrial sector (valid licence)	Exempt	Permanent exemption from Dec 2025
Iqama renewal	~SAR 650/yr	Employer typically covers

Minimum wage

Saudi nationals earn a statutory **SAR 4,000/month**, the floor to count as a full Nitaqat unit. Expatriates have **no statutory minimum wage**: pay is contract-determined, subject only to the SAR 1,500 GOSI contribution floor.

VI

Saudization — Nitaqat

Nitaqat measures each company's ratio of Saudi to expatriate employees on a 26-week rolling average, and the resulting band determines access to visas, permit renewals and government tenders. A Saudi national must be paid at least SAR 4,000 per month to count as a full Nitaqat unit. An April 2026 phase targets more than 340,000 additional private-sector localisations.

NITAQAT BAND	CONSEQUENCES
Platinum / High Green	Full visa-quota access; fast Iqama renewal
Green	Normal access; standard permit renewal
Yellow	Restricted hiring; reduced visa access
▸ **Red**	New permits frozen; Iqama renewals blocked; no government tenders

WHAT TO WATCH IN 2026

- **Rolling measure:** classification is based on a 26-week rolling average, not a point-in-time snapshot.
- **RHQ exemption:** a 10-year Saudization exemption plus unlimited work visas for qualifying multinationals.
- **Sector quotas:** updated April 2026; confirm the current requirement for your activity code at Qiwa.sa.

VII

Practical Notes

The obligations in this guide reduce to a short list of checks that prevent the most common and most costly Saudi payroll errors. Each should be settled before the first pay run.

Basic salary structuring	EOSB is calculated on basic salary only; housing is included in the GOSI base but excluded from EOSB. Suppressing the basic component is a known audit risk.
Dual GOSI system	Pre- and post-3 July 2024 entrants carry different rates. Check each employee's Qiwa record and update rates every July.
WPS delay risk	Two consecutive missed paydays block all permit renewals. Submit the salary file to the bank at least one business day before payday.
Contracts on Qiwa	Unregistered contracts are legally invalid; every salary or position change must be reflected on the platform.
GOSI reimbursement	Accidentally overpaid contributions can be reclaimed within two years.
Nitaqat unit rule	A Saudi national must earn at least SAR 4,000/month to count as a full localisation unit.

EOR & PAYROLL, HANDLED

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GOSI contributions, Qiwa contract registration, Mudad/WPS filing, Iqama and Nitaqat tracking, plus EOSB and in-country EOR. Datassist runs payroll and employment for international employers across Turkey, Saudi Arabia and the wider MENA region from a single center.

Schedule a Meeting →

7+	1	0%
MENA MARKETS COVERED	SINGLE COMPLIANCE OPERATION	MISSED WPS DEADLINES