



شعبة الترجمة الرسمية
Official Translation Department

Law of Professional Companies

Royal Decree No. M/17
September 25, 2019

Translation of Saudi Laws



NOTE:

The translation of Saudi laws takes the following into consideration:

- Words used in the singular form include the plural and vice versa.
- Words used in the masculine form include the feminine.
- Words used in the present tense include the present as well as the future.
- The word “person” or “persons” and their related pronouns (he, his, him, they, their, them) refer to a natural and legal person.



Law of Professional Companies

Article 1

In this Law, the following terms shall have the meanings assigned thereto, unless the context requires otherwise:

Law: Law of Professional Companies.

Regulations: Implementing Regulations of the Law.

Ministry: Ministry of Commerce.

Minister: Minister of Commerce.

Article 2

A professional company is a civil company with an independent legal personality incorporated by one person (or more) duly licensed to practice a single profession (or more), or by such licensees with others, for the purpose of practicing such professions.

Article 3

A professional company shall take any of the following corporate forms:

- a) Unlimited liability company.
- b) Joint-stock company.
- c) Limited partnership.
- d) Limited liability company.

Article 4

1. Where this Law is silent, a professional company shall be subject to the provisions of the Companies Law to the extent that they do not conflict with the nature of said company.
2. A partner or shareholder in a professional company, regardless of its form, shall not acquire the capacity of a merchant as a result of his partnership or shareholding.

Article 5

1. Persons licensed to practice a single profession may together establish a professional company in any of the forms specified in Article 3 of this Law.
2. A person licensed to practice a single profession may establish a one-person limited liability professional company to practice such profession. If such person is licensed to practice more than one profession, he may practice all or some of them through the company upon meeting all the terms and conditions prescribed by the Regulations.
3. A professional company may be incorporated by persons licensed to practice more than one profession. A professional company may also be incorporated



- between a non-Saudi professional company and persons licensed to practice a single profession or more. The Regulations shall set the requirements for the incorporation of these companies and for their activities.
4. A legal person or a natural person not licensed to practice any of the profession(s) of the professional company may become a partner or shareholder in such company, except in an unlimited liability company or a limited partnership with the capacity of a general partner. The Regulations shall set the relevant requirements and shall prescribe the general rules for managing such professional company in a manner that preserves the independence of professional partners and shareholders in the practice of their professions.

Article 6

Partners or shareholders in a professional company may convert such company into any of the company forms referred to in Article 3 of this Law upon fulfillment of the requirements stipulated in this Law or its Regulations.

Article 7

A partner or shareholder in a professional company who practices the profession may not be a partner or a shareholder in another professional company that practices the same profession.

Article 8

1. The Ministry shall be responsible for registering the incorporation of professional companies in accordance with the procedures and requirements stipulated in this Law or its Regulations, without prejudice to the provisions of the Foreign Investment Law.
2. A professional company shall be entered into the Professional Companies Register at the Ministry. It may not acquire a legal personality or pursue its activities prior to its entry into the Register. The Regulations shall specify the registration provisions and procedures as well as the fees therefor.

Article 9

1. The Regulations shall indicate the manner of publishing the articles of incorporation and the articles of association of a professional company, and any amendment thereto, as well as any pledge or ownership change in its shares or stocks.
2. The articles of incorporation and the articles of association of a professional company published in accordance with the provisions of this Law may not be invoked against a third party, except after entering the company into the Professional Companies Register. However, if one or more statements of said articles are not published, only the unpublished statements may not be invoked against a third party.
3. Partners or shareholders in a professional company may not dissolve it prior to the end of its term, except after such dissolution is announced and all partners dealing therewith are notified in writing, as specified in the Regulations.



Article 10

A professional company may not render its professional services except through its licensed partners or shareholders. However, it may, for such purpose, engage other licensed professionals, provided they are supervised by the company and fall under its liability.

Article 11

1. A professional company shall only render the services for which it is licensed.
2. A professional company may not conduct commercial businesses or participate in the establishment of a commercial company or another professional company. However, it may acquire financial and real estate assets to serve its purposes in accordance with the Regulations.

Article 12

A professional company shall, in rendering its professional services, be subject to the supervision of the relevant agencies. The Regulations shall determine the scope of such supervision.

Article 13

1. A partner or shareholder in a professional company may not practice the profession except through said company, unless it is a one-person company.
2. Notwithstanding paragraph (1) of this Article, a partner or shareholder may practice his profession separate from the company upon the partners' written approval or the approval of the general assembly, as the case may be.
3. If a partner or shareholder violates any of the provisions of paragraphs (1) and (2) of this Article, the company shall be entitled to the fees and other financial benefits he receives.

Article 14

1. A professional company may be named after one or more of its partners or shareholders, or may take an innovative name. In all cases, the company's name shall be followed by an indication of its profession. The Regulations shall specify the criteria for naming professional companies.
2. In the event of withdrawal or death of a partner or shareholder after whose name the professional company is named or whose name is part of the company's name, the company may not continue to carry his name or use it as part of its name, except with his or his heirs' written consent, as the case may be.

Article 15

1. Without prejudice to the provisions of paragraph (2) of this Article and any of the relevant provisions of the Companies Law, a professional company shall be managed by one person or more, whether a partner or otherwise. If said company is managed by one person, then such person shall be a licensed partner. However, if managed by more than one person, the number of licensed partners shall not be less than half, or as determined by the



Regulations. The company's articles of incorporation shall determine the conditions for appointing the manager, his powers, remuneration, the duration of his management of the company, and the manner of his dismissal.

2. A professional joint-stock company shall be managed by a board of directors composed of a number of its shareholders or others, provided that at least half of the board members are licensed shareholders, or as determined by the Regulations. The company's articles of association shall determine the powers of the board and the provisions related to its formation.

Article 16

1. In a professional unlimited liability company, limited partnership, and limited liability company owned by more than one person, the powers of the manager shall not prejudice the right of the partners to practice their profession independently.
2. The powers of the board of directors of a professional joint-stock company shall not prejudice the right of shareholders to practice their profession independently.

Article 17

1. With the exception of a professional one-person company, each partner or shareholder in a professional company shall be liable in his personal capacity for damages to the company, shareholders, or partners, as the case may be, as a result of his professional errors.
2. A professional company shall be liable for damages sustained by others due to professional errors made by its partners or shareholders, as the case may be, or by its employees or affiliates.

Article 18

The manager or the board of directors, as the case may be, shall be liable for damages sustained by the company, or partners or shareholders, as the case may be, or by others, due to errors in management, violations of the provisions of the Law, Regulations, or other relevant laws, or violations of the provisions of the company's articles of incorporation and articles of association. If the company has more than one manager, they shall be jointly liable.

Article 19

The Minister may, upon coordination with the relevant supervisory agencies and pursuant to his decision, require a professional company rendering certain services to obtain professional liability insurance to cover professional errors.

Article 20

1. If the license of a partner or a shareholder in a professional company is temporarily suspended, he shall immediately cease to work with the company until his license is restored. If, among the other partners or shareholders, he is the sole practitioner of the company's profession or if he



- is the sole owner of the professional company, the company shall cease to practice such profession until the license is restored. The articles of incorporation and articles of association, as the case may be, of a professional company, other than a professional one-person company, shall specify the distribution of profits and losses in both cases.
2. If the license of a partner or a shareholder in a professional company is revoked, he shall be deemed to have withdrawn from the company, unless the company's articles of incorporation or articles of association, as the case may be, provides for his continuation in the company as an unlicensed partner, provided that the terms and conditions of Article 5(4) of this Law are met.
 3. If the license of a partner or a shareholder in a professional company is revoked and he is the sole practitioner of that profession from among the partners or shareholders, or if the professional company is a one-person company, or if the professional company loses the sole practitioner of a profession from among its partners or shareholders due to his death or disposal of his stake or shares, the company shall cease to practice that profession; in such case, it shall be accorded a six-month grace period to make the necessary changes to comply with the law. The Minister may extend such period for a similar duration. The company shall terminate if it fails to undertake the necessary changes within said period.

Article 21

1. In the event of the death of a partner in a professional limited liability company or a shareholder in a professional joint-stock company, his stake or shares, as the case may be, shall pass to his heirs, unless the company's articles of incorporation or articles of association, as the case may be, stipulate otherwise.
2. In the event of the death of a partner in a professional unlimited liability company, the partnership of the remaining partners shall continue, and the share of the deceased shall pass to his heirs; in such case, a certified appraiser shall determine the fair value of each partner's share in the company on the date of the partner's death. The heirs of the deceased partner shall also be entitled to any future gains arising from transactions conducted prior to his death.
3. The articles of incorporation of a professional unlimited liability company or a special agreement between the heirs of the deceased partner and the remainder of the partners in the company may contain a provision stating that the heirs of the deceased partner shall replace the deceased partner as shareholders in the company by converting the company into a limited partnership, joint-stock company, or limited liability company. In the event the company is converted into a limited partnership, the heirs shall have the status of a dormant partner.
4. In the event of the death of a partner in a professional limited partnership, his stake shall pass to his heirs, unless the company's articles of incorporation stipulate otherwise. If the heirs become partners in the company, they shall have the status of a dormant partner.



Article 22

1. Stakes or shares transferred from the deceased partners or shareholders in a professional company to their heirs shall be subject to the rules set out in Article 5(4) of this Law.
2. If any of the heirs is licensed to practice the profession or any of the company's professions, such heir may become a practicing partner or shareholder in the company if the majority of the partners agree or if he obtains the approval of the general assembly. If he fails to obtain such agreement, the heir shall be a non-practicing partner or shareholder; in such case, he may practice his own profession independent of the company, notwithstanding Article 13 of this Law.
3. Notwithstanding Article 7 of this Law, if any of the heirs is a practicing partner or shareholder in another professional company practicing the same profession, he may hold in the capacity of a non-practicing partner or shareholder any stakes or shares he inherits.

Article 23

The articles of incorporation of a professional unlimited liability company and a professional limited partnership shall determine the consequences of interdicting a joint partner or initiating any liquidation procedure in accordance with the Bankruptcy Law.

Article 24

Without prejudice to a harsher penalty stipulated in any other law, a fine not exceeding 500,000 riyals shall be imposed on:

1. any one-person company practicing more than one profession, in violation of the terms and conditions prescribed by the Regulations;
2. any manager or member of the board of directors of a professional company who violates the terms and conditions of incorporation of professional companies and the publication requirements prescribed by the Regulations; violates the rules governing the rendition of services of professional companies as set out in Article 5(3) of this Law; or violates the general rules governing the management of professional companies referred to in Article 5(4) of this Law;
3. any partner or shareholder in more than one professional company practicing the same profession, in violation of Article 7 of this Law;
4. any manager or member of the board of directors of a professional company who violates Article 9(3) of this Law;
5. any company which violates Articles 10, 11, or 14 of this Law;
6. any company which practices a profession without obtaining a professional liability insurance if mandated pursuant to a decision by the Minister, in accordance with Article 19 of this Law;
7. any person who violates Article 13 of this Law; and
8. any manager, member of the board of directors, or sole partner in a professional company in the event that such company practices a profession without any of its partners or shareholders being licensed to practice such profession.



Article 25

1. Pursuant to a decision by the Minister, a committee shall be formed consisting of three or more members, including at least one specialist in law, to review violations of this Law and impose the penalty stipulated in Article 24 of this Law.
2. The committee's work procedures and the remuneration of its chairman, members, and secretariat shall be determined pursuant to a decision issued by the Minister.
3. Any person against whom a penalty decision is issued may appeal such decision before the Administrative Court.

Article 26

The maximum limit of the penalty provided for in Article 24 of this Law shall be doubled in case the same violation is repeated within three years from the date of issuance of the penalty decision.

Article 27

This Law shall supersede the Professional Companies Law, promulgated by Royal Decree No. (M/4), dated 18/2/1412H, and shall repeal any provisions conflicting therewith.

Article 28

The Minister shall issue the Regulations, upon coordination with the relevant agency, within 180 days from the date this Law is published in the Official Gazette. The Regulations shall be published in the Official Gazette and shall enter into force on the date the Law becomes effective.

Article 29

This Law shall come into force 180 days following the date of its publication in the Official Gazette.