Qoyod Report

The Cost of Running a Small Business in Saudi Arabia

An official-figures breakdown of what it costs to run a small business in Saudi Arabia: commercial register and chamber fees, the employer social insurance share, the work permit levy, the commercial electricity tariff and rent pressure, with a full cost model and break-even calculation.

2026

QOYOD

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The question that keeps every small business owner in Saudi Arabia awake is not "how much can I sell?" but "how much does it cost me to open my doors every month?" This report breaks the operating bill down using official figures: commercial register and chamber fees, the employer's social insurance share, the expat work permit levy, the commercial electricity tariff, and rent pressure. It then assembles them into a full cost model for a five-employee business, and closes with the break-even calculation: the number your sales must reach before you earn a single riyal in profit.

377K SAR
annual operating cost of a model five-employee business in Riyadh

73%
labour's share of the total operating bill

48K SAR
annual obligations the employer pays on top of salaries

2 million
establishments registered on the Qiwa platform by end of Q1 2026

An expanding market: two million establishments doing the math

Saudi Arabia's business base is widening fast, which makes the cost question a daily one for millions of owners. The Ministry of Human Resources and Social Development reported that establishments registered on the Qiwa platform passed two million during the first quarter of 2026, alongside more than 13 million registered workers and over 12 million documented employment contracts. That expansion comes with a regulatory shift that lowers cost: under the new Commercial Register Law effective 3 April 2026, a business operates with one unified register and records its branches as data inside it instead of issuing a separate register for each branch.

The fixed cost lines, meanwhile, are all published and calculable in advance. The difference between a business that survives and one that stalls is usually not the size of the cost, but whether the owner knew it precisely before it became a year-end surprise.

Government fees: what you pay before selling a single riyal

Start with the statutory fees, the smallest and clearest part of the bill. The Ministry of Commerce set the main commercial register issuance fee at SAR 200 per year, and SAR 100 for a subsidiary register. On top of that comes the chamber of commerce subscription, set automatically by capital and activity, with most new businesses falling in the fourth grade (capital below SAR 200,000) at SAR 200 to SAR 500 a year. Late renewal, by contrast, carries a SAR 1,000 fine, several times the fee itself.

Statutory item	Amount	Frequency
Main commercial register	SAR 200	Annual
Subsidiary register	SAR 100	Annual
Chamber of commerce subscription (fourth grade)	SAR 200 to 500	Annual
Late commercial register renewal fine	SAR 1,000	On delay
Municipal activity licence	Varies by activity, area and municipality	Annual

The first lesson in cost control: the fine is more expensive than the fee. A SAR 200 register fee against a SAR 1,000 late fine means a simple compliance calendar pays for itself many times over.

An employee costs more than their salary. How much more?

Labour is the heaviest line in any small business, and the most common mistake is counting an employee by salary alone. On top of the salary, the employer pays its social insurance share, the work permit levy for expatriate workers, and residence permit renewal fees.

For a Saudi employee registered under the new social insurance scheme (those registered after 3 July 2024), the combined contribution rose to 23.5% of the contributable wage effective 1 July 2026, split 12.75% employer and 10.75% employee. Those registered before that date remain at 21.5%, split 11.75% employer and 9.75% employee. The contributable wage is capped at SAR 45,000 a month.

For a non-Saudi employee there is no deduction from the salary. Instead the employer pays 2% of the contributable wage for occupational hazards insurance. Added to that is the work permit levy: SAR 800 a month (SAR 9,600 a year) per expatriate where expatriates outnumber Saudis in the establishment, or SAR 700 a month (SAR 8,400 a year) where the counts are equal or lower. Residence permit renewal adds roughly SAR 650 a year for establishment labour.

Real monthly employer cost for an employee on a SAR 5,000 salary

Saudi employee

SAR 5,638

SAR 5,000 salary plus the employer's 12.75% social insurance share

vs

Expatriate employee

SAR 5,954

SAR 5,000 salary plus 2% occupational hazards, SAR 800 work permit levy and SAR 54 monthly share of the residence permit fee

Gap: SAR 317 a month in favour of the Saudi hire

Break-even salary: around SAR 7,900

Qoyod calculation based on published GOSI contribution rates, work permit levy amounts and residence permit fees, assuming an establishment where expatriates outnumber Saudis.

That result deserves a pause. At the salary levels common in small businesses, hiring a Saudi national costs the employer less than hiring an expatriate at the same salary, because the obligations on an expatriate are a flat amount that does not scale with pay. The equation breaks even at a salary of roughly SAR 7,900 a month: below that the Saudi hire is cheaper, above it the two converge and then flip.

The Nitaqat programme adds a regulatory incentive in the same direction. For a Saudi worker to count as one full worker in the Saudization ratio, the monthly wage must be at least SAR 4,000. A worker paid between SAR 3,000 and under SAR 4,000 counts as half a worker, and below SAR 3,000 does not count at all. Raising a salary to the counting threshold improves the establishment's Nitaqat band and protects its access to services, which makes it an investment in cost rather than simply an increase in it.

The average monthly wage of Saudis working in the private sector reached SAR 9,331 in Q1 2026, growing 4.7% year on year according to the General Authority for Statistics. Wages are rising, and the insurance share tied to them rises with them, so budgeting payroll annually rather than estimating it monthly has become a necessity. Full wage levels by sector and occupation are in the Saudi Payroll Trends report.

Rent and electricity: one heavy line, one moving line

After wages, rent is the heaviest single line. The 2026 indicators paint a useful two-sided picture for tenants. The "housing, water, electricity, gas and other fuels" division grew 3.5% year on year in June 2026, carrying a heavy 20.2% weight in the consumer price basket, which is what kept headline inflation at 1.8%. At the same time, commercial sector prices in the real estate price index fell 3.2% year on year in Q2 2026, which means the room to negotiate shop and showroom leases is wider than most tenants assume.

Electricity is the moving line, driven by consumption. The commercial sector tariff is 22 halalas per kWh for monthly consumption below 6,000 kWh, and 32 halalas per kWh above that, following the adjustment effective 28 May 2025, up from 20 and 30 halalas respectively.

Commercial electricity tariff: the cost of crossing the bracket

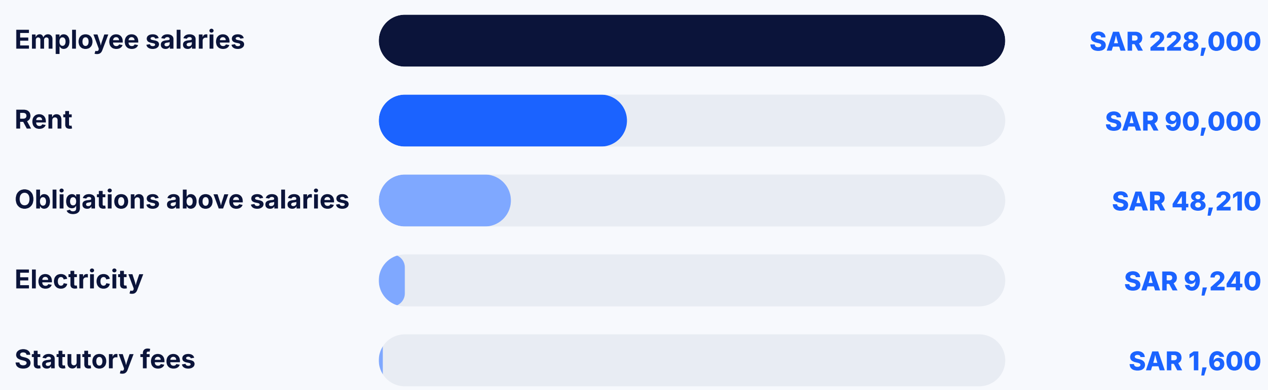
Source: Saudi Electricity Company, tariff adjustment effective 28 May 2025.

A full cost model: a five-employee retail business in Riyadh

To turn these lines into one number, here is an illustrative model of a small retail business in Riyadh on the following stated assumptions: five employees, of whom two are Saudis on SAR 5,000 each and three are expatriates on SAR 3,000 each; expatriates outnumber Saudis, so the SAR 800 monthly levy applies; both Saudis are on the new social insurance scheme at 12.75% employer share; annual rent of SAR 90,000; electricity consumption of 3,500 kWh a month; a municipal licence at SAR 1,000 a year; and a chamber subscription of SAR 400. The statutory figures come from their official sources. The commercial assumptions (rent, consumption, licence) are estimates and vary by city and activity.

Cost item	Calculation	Annual cost
Saudi employee salaries	2 × 5,000 × 12	SAR 120,000
Employer social insurance share (Saudis)	12.75% of 120,000	SAR 15,300
Expatriate employee salaries	3 × 3,000 × 12	SAR 108,000
Occupational hazards (expatriates)	2% of 108,000	SAR 2,160
Work permit levy	3 × 9,600	SAR 28,800
Residence permit renewals	3 × 650	SAR 1,950
Shop rent	Assumption	SAR 90,000
Electricity	3,500 kWh × 0.22 × 12	SAR 9,240
Commercial register and chamber subscription	200 + 400	SAR 600
Municipal activity licence	Assumption	SAR 1,000
Total operating cost	**Annual**	**SAR 377,050**

Where every riyal of the annual operating bill goes



Labour: 73% of the bill | Rent: 24% | Statutory fees: under 1%

Illustrative model prepared by Qoyod using official statutory figures and the commercial assumptions stated in this report.

The arithmetic is striking. The government fees everyone talks about are under 1% of the operating bill, while labour and rent together are around 97% of it. Any serious effort to control cost starts with those two lines, not with the fees.

Tax is not a cost, but being unprepared is

The 15% value added tax is not an operating cost line, because a registered business collects it from the customer, deducts its input tax, and remits the difference. What genuinely costs money is the lack of readiness: an invoice missing required fields, books that cannot produce the return on time, or an input deduction lost for want of documentation.

VAT registration is mandatory once annual taxable supplies exceed SAR 375,000, and voluntary above SAR 187,500. E-invoicing phase two (integration) has been rolling out in successive waves set by the Zakat, Tax and Customs Authority by revenue, and the waves have reached the SAR 375,000 revenue bracket. In other words, a small business today is a business obliged to integrate, and preparing early is cheaper than preparing late.

> **Full detail on the impact of e-invoicing on small businesses is in the E-Invoicing Adoption in Saudi Arabia report, and the complete sector picture is in the Saudi SMEs 2026 report.**

From cost to decision: calculate your break-even

Knowing your cost is not the goal in itself. It is the prelude to one question: how much must I sell to cover it? That is the break-even point, and the calculation is simple: fixed costs divided by gross profit margin.

In our model, the annual cost of SAR 377,050 is about SAR 31,421 a month. Assuming a 35% gross margin on sales, the monthly break-even is roughly SAR 89,800 in sales, or close to SAR 3,000 a day. Every riyal of sales below that number is a loss, and every riyal above it is profit.

From cost to a sales target: the monthly break-even point

Monthly fixed costs	**SAR 31,421**
Assumed gross profit margin	**35%**
Monthly sales required to break even	**SAR 89,800**

About SAR 3,000 in sales a day **Every extra margin point lowers the sales target**

Qoyod calculation based on the cost model above at an assumed 35% gross profit margin.

This is where an accounting system earns its keep. All of these numbers move month to month, and a business that knows its cost, its margin and its break-even point in real time makes very different pricing, hiring and purchasing decisions from one that waits for year end to learn its result. Qoyod is an Arabic cloud accounting system that records expenses by line and by cost center, produces profit and loss and balance sheet reports at any moment, and issues ZATCA-compliant electronic invoices, turning the operating bill from an annual surprise into a managed number.

Recommendations

Five practical steps to take away from this report:

- Separate fixed from variable costs in your books. The break-even point cannot be calculated without that split.
- Cost the full employee, not the salary. Add the insurance share, the work permit levy and residence permit fees before any hiring decision.
- Revisit the lease at renewal. Commercial sector prices fell 3.2% year on year in Q2 2026, and that is a real negotiating card.

- Watch the electricity bracket monthly. Crossing 6,000 kWh lifts the unit price from 22 to 32 halalas.
- Build a statutory compliance calendar. The late commercial register renewal fine alone is SAR 1,000 against a SAR 200 fee.

The operating bill of a small business in Saudi Arabia is not a mystery. It is a set of published numbers that can be calculated before the year begins. The businesses that win are not necessarily the cheapest to run, but the ones that know their cost precisely and translate it into a clear sales target.

Sources

1 Saudi Press Agency (SPA): more than two million establishments, 13 million workers and 12 million documented contracts on the Qiwa platform in Q1 2026.

2 Ministry of Commerce via Argaam: SAR 200 a year for main commercial register issuance and SAR 100 for a subsidiary register.

3 General Organization for Social Insurance (GOSI): contribution rates, 21.5% under the previous scheme and 23.5% under the new scheme effective 1 July 2026, 2% occupational hazards for non-Saudis, and a SAR 45,000 contributable wage ceiling.

4 Ministry of Human Resources and Social Development: SAR 4,000 minimum for a Saudi worker to count as one full worker in Nitaqat, and half a worker between SAR 3,000 and 4,000.

5 General Authority for Statistics: average monthly wage of Saudis in the private sector at SAR 9,331 in Q1 2026, up 4.7%.

6 General Authority for Statistics: Consumer Price Index June 2026, inflation at 1.8% and the housing, water, electricity and gas division up 3.5% at a 20.2% weight.

7 General Authority for Statistics via Argaam: real estate price index, commercial sector prices down 3.2% year on year in Q2 2026.

8 Saudi Electricity Company via Argaam: commercial sector tariff of 22 halalas below 6,000 kWh and 32 halalas above, effective 28 May 2025.

9. Zakat, Tax and Customs Authority: 15% value added tax, mandatory registration threshold of SAR 375,000 and voluntary threshold of SAR 187,500, and e-invoicing phase two in revenue-based waves.