

A large mining truck is in the foreground, and an excavator is in the background, both working in a quarry. The scene is in black and white with a dark overlay.

Mining Sector

Profit Retention Means for the Future of Mining



Saudi Arabia

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Between the Lines **By: Islam Zween**

In a world dominated by mining powerhouses like Chile and Peru, renowned for their vast copper reserves, which's the lifeblood of modern semiconductors, it's easy to overlook emerging players.

Yet, beneath the surface, Saudi Arabia is quietly carving out a powerful competitive edge that could at the long term redefine the dynamics of mining investments globally. The secret is the kingdom's profit retention policy and this's my main takeaway after analysing the financial and economic aspect of the kingdom's mining sector.

While Chile and Peru have long attracted mining foreign direct investment (FDI) through their resource abundance, Saudi Arabia's nascent mining sector wields a unique advantage in profit retention policies that investors cannot ignore.

Unlike Chile and Peru, where tax structures diminish the proportion of gross profits that foreign investors actually keep, Saudi Arabia offers an favorable profit retention environment.

Foreign investors in Saudi Arabia retain an impressive 77.75% of their gross profits under the standard 20% corporate income tax, and this figure rises to an exceptional 80% during the initial five-year royalty exemption period.

This's a sharp contrast to Chile's effective retention of just 47.45% and Peru's 70.5%.

Chile's tax framework permits full 100% profit repatriation but burdens foreign investors with an additional 35% withholding tax on dividends.

The combined effect of Chile's 27% corporate tax plus the 35% withholding tax means foreign investors face an effective tax rate soaring to 62%.

Peru, while more favorable than Chile, still levies a 29.5% corporate tax but exempts many foreign investors from withholding taxes under treaty provisions. This allows investors to retain roughly 70.5% of their gross profits.

Saudi Arabia's mining tax regime is further distinguished by the absence of withholding taxes on profit repatriation and no restrictions on capital or profit transfers.

Foreign investors can repatriate 100% of profits without additional levies or bureaucratic hurdles. This clarity and simplicity in fiscal policy make Saudi Arabia exceptionally attractive to investors looking to maximize their returns without facing complex tax layering or repatriation barriers.

In essence, Saudi Arabia's profit retention framework offers foreign investors a transparent, tax-efficient system after comparing it objectively with two of the world's well-established powerhouses in the mining sector.

It's also noteworthy although Saudi Arabia has reported an estimated \$2.5 trillion in untapped mineral resources, investors are seeking not only abundant resources but also favorable economic returns would do well to look beyond traditional mining giants.

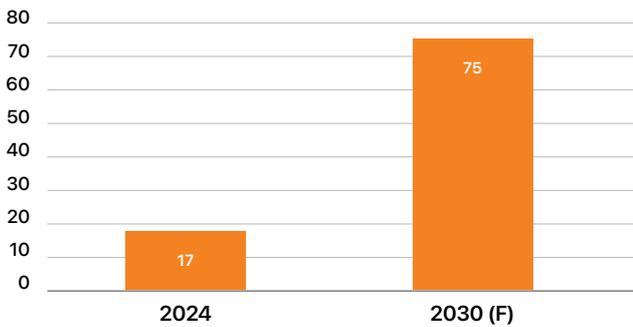
The mining sector: Key numbers

By orchestrating three interlocking mechanisms—downstream value creation, supply-chain localization, and cross-sectoral integration—the Kingdom is targeting a 341% growth in mining’s GDP contribution (from \$17 billion in 2024 to \$75 billion by 2030) through a structural multiplier that ripples through manufacturing, services, technology, and exports.

At Future Minerals Forum 2025, Saudi secured 28.5\$ billion in MOUs across +200 agreements, spanning exploration, processing, and downstream ventures.

Sovereign-backed exploration incentives totaled SAR 6 billion in H2025 1 alone. Foreign direct investment inflows into mining reached 15\$ billion (2023–H2025 1), propelled by regulatory clarity and PIF-backed guarantees.

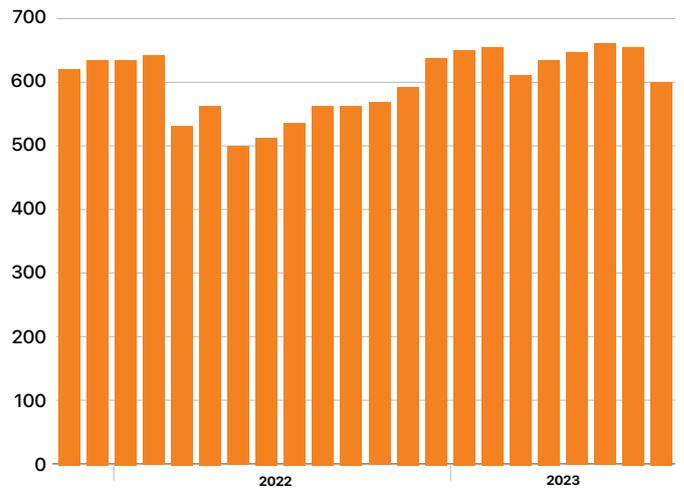
Mining GDP Contribution (USD Billion)



Source: Argaam

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Exploration Licenses



Source: Ministry of Industry and Mineral Resources

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Integrated Value-Chain

Value Chain Phase	Major Investment Programs	Notable 2035-2024 Milestones
Exploration & Geological Survey	\$182 million incentive program, National Geological Database	Surveyed 51% of territory by 2024
Processing & Smelting	Ma'aden Ras Al-Khair, Waad Al-Shamal	Aluminum, phosphate plants, +\$14.6 billion local goods/services
Manufacturing & Conversion	Tharwah Local Content, SMEs, Ports & Rail	SAR 33 billion (\$8.8 billion) added local content, 47% local procurement

Exploration & Geological Survey:

SAR 683 million (\$182 million) incentive program; National Geological Database now covers 51% of the Kingdom (2024).

Processing & Smelting:

Ras Al-Khair houses integrated phosphate and aluminum facilities with SAR 55 billion local-content spending through 2025.

Manufacturing & Conversion:

Tharwah cluster plus ports & rail deliver 47% local procurement by Q3 2024.

Key financial incentives in numbers

The Exploration Enablement Program (EEP) provides substantial government co-funding:

- Full grants of SAR 7.0 million (~USD 2.0 million) for the first five exploration licenses
- SAR 4.0 million grants for additional licenses focusing on drilling activities
- Saudi Industrial Development Fund (SIDF) offers up to 75% CAPEX co-funding at 3% interest rates.

Additional Investment Incentives

Beyond core tax benefits, Saudi Arabia provides:

- Customs duties exemptions on machinery, equipment, and raw materials for industrial use.
- Salary coverage of 30-50% for Saudi employees (with additional 10% for female hires)
- Competitive land and utility prices across 40+ locations.
- Streamlined licensing with mining licenses issued within 120 days and exploration licenses within 90 days.

Key Risks & Mitigation

Water intensity:

mitigated by advanced desalination and recycling technologies and SAR 1 billion desalination-R&D fund launched 2024.

Commodity-price swings:

hedged via diversified downstream product mix and long-term offtake agreements with global partners.

Logistics bottlenecks:

addressed via phased 1 400 km rail expansions and multi-modal hubs, including a new King Salman Port terminal (2025).

ESG standards:

Global trade tensions and shifting ESG standards could impact market access. Developing flexible trade agreements with Western, Asian, and African partners, and adopting ESG-compliant certification, will hedge geopolitical risk and preserve premium market access.

Comparative Analysis with Leading Mining Jurisdictions

Saudi Arabia vs. Chile

Chile, as the world's largest copper producer, presents an interesting comparison point for mining investment frameworks.

Tax Structure Comparison

Jurisdiction	Corporate Tax Rate	Royalty Range	Foreign Ownership	Profit Retention
Saudi Arabia	20%	1.5-4.5% (5 -year exemption)	100% allowed	100% repatriation rights
Chile	25-27%	0.5-4.5% (operational income)	100% allowed	100% repatriation rights

Chile's new mining royalty law introduced in 2024 creates a more complex tax burden.

The total effective tax burden for mining projects in Chile now reaches 38.4%, while Saudi Arabia's remains significantly lower at approximately 20-23.5% when royalties are factored in.

Chile's royalty system is profit-based on operational income, meaning payments fluctuate with commodity prices and operational efficiency.

In contrast, Saudi Arabia's value-based system provides more predictable cost structures, particularly beneficial during the five-year exemption period.

Investment Environment

- Both jurisdictions allow 100% foreign ownership without local partnership requirements.
- Chile offers more established infrastructure and longer mining industry track record.
- Saudi Arabia provides newer regulatory framework with more generous early-stage incentives.



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