Middle East Tax and Legal Newsletter

In this edition, we highlight tax and legal updates as well as fiscal policy developments within the Middle East region over the last six months.

Introduction

Fiscal reform continues to be on the agenda of governments in the Middle East.

In addition to the move towards introducing VAT across the GCC, we have seen increases in a range of charges and levies in, for example, Saudi Arabia. Egypt has now implemented a VAT replacing the previous sales tax system.

Governments have also been enhancing or revising mechanisms to encourage investment into their economies. Egypt has issued a draft new investment law incorporating a number of tax incentives. Saudi Arabia has introduced legislation allowing 100% foreign ownership of businesses in specific sectors and similar relaxation has also occurred in Bahrain.

Along with the investment law changes, a number of governments in the region, including Bahrain, Oman, Saudi Arabia and UAE have been expanding their network of double taxation treaties that are now in force. Perhaps the highest profile of these being the double tax treaty between the UAE and the UK which entered into force on 1 January 2017.

Finally there has been a wide array of immigration and labour law developments across the Gulf, as well as corporate governance enhancements in the UAE.

We hope you find this summary of developments of value and do please let us know if you need assistance on any of the topics mentioned.

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Country Updates

Bahrain

Foreign investment incentives

A recent revision of the Bahrain Commercial Companies Law allows companies, fully or partly, owned by non-Bahraini shareholders to obtain licenses to practice activities in several sectors that were previously available only for Bahraini owned companies (wholly or under majority ownership). These sectors/activities include residential real estate, administrative services, health and social work, information and communications, manufacturing and other technical activities.

Bahrain relaxes visit visa rules

Bahrain's Nationality, Passports and Residence Affairs authority has recently announced several changes to Bahrain's visit visa system:

- A single entry visa allows holders to stay in Bahrain for up to two weeks, while a one year re-entry visa allows for a 90 day stay per visit. Nationals from 114 countries and foreign residents living in the Gulf Cooperation Council (GCC) countries are eligible to apply for these visas, while nationals from 67 countries are able to receive this upon arrival. Bahrain continues to add to the list of eligible nationalities, with Macau being the most recent addition.
- The maximum stay per visit under the existing three month multiple re-entry visa has been increased from two weeks to one month.
- Citizens of Canada, Ireland, the United Kingdom, and the United States who obtain a five year multiple entry visa are now permitted to stay in-country for up to 90 days, instead of the previously permitted 30 days.

Egypt

VAT law takes immediate effect

The Egyptian Parliament approved the new Value Added Tax (VAT) law on 31 August 2016, and the law entered into effect on 8 September 2016. The new VAT law replaces the prior General Sales Tax (GST) law no. (11) of 1991. This means that businesses are immediately required to comply with the new VAT law.

There are a number of areas in the new law that are still unclear, which will need further guidance and interpretation by the tax authorities or through the executive regulations that are expected to be issued shortly.

Businesses previously registered under the GST law

Businesses which were registered under the GST law are automatically considered registered for VAT purposes, provided their annual turnover exceeds the new registration threshold (500,000 EGP). Importers of taxable goods registered under the previous GST law are automatically considered registered for VAT purposes regardless of their turnover. Manufacturers and importers of the goods and services subject to the Excise Tax that are listed in Schedule No 1 of the new law and were registered under the GST law are also automatically considered as registered for VAT purposes regardless of their turnover.

Businesses which are included in the above criteria do not need to file a registration application or notify the Egyptian Tax Authorities (ETA) of their VAT registration, and they will keep the same tax registration number. This also means that they must comply with the provisions of the law with immediate effect.

Businesses that were not previously registered under the GST law

Businesses that were not previously registered under the GST law but are now required to do so, should apply for their VAT registration through the ETA.

Businesses supplying taxable goods and services with a turnover exceeding 500,000 EGP are required to register within 30 days from the date their turnover exceeds the registration threshold after the effective date of the law. If their turnover is below the registration threshold, they may apply voluntarily to be registered for VAT purposes.

Importers of taxable goods, exporters, distribution agents, and manufacturers or importers of goods and services subject to the Excise Tax, are required to apply for VAT registration regardless of their tax turnover. Registration should have taken place within 30 days from the effective date of the law. The ETA will notify businesses of their registration for VAT purposes within 14 days from the date of application and from this date the provisions of the law will apply to them. Businesses required to register under the new VAT law that do not file their application on time will be registered automatically by the ETA and considered as defaulters with all the consequences applicable under the provisions of the new law.

Cancellation of registration

Businesses currently registered under the GST law with a turnover below the new VAT threshold shall be de-registered automatically, unless they specifically request to remain registered within 30 days from the effective date of the new law. Businesses that are de-registered shall submit a tax return within 30 days of the effective date of the law covering all tax periods prior to their registration cancellation and pay the tax due within six months from the effective date of the new law. De-registered businesses must keep their books and records for five years from the date of their registration cancellation.

Non-residents

Non-resident and non-registered persons supplying taxable goods or rendering taxable services in Egypt to non-registrants, who do not perform an activity through a permanent establishment (PE) in Egypt, shall appoint a fiscal representative responsible for all requirements listed in the new law. If the non-resident and non-registered person deal with resident persons in Egypt, the resident person must ensure that a fiscal representative has been assigned, otherwise the resident will be liable to pay the tax due - without prejudice to his right to go back to the non-resident person.

Transitional provisions

Businesses registered for VAT purposes are entitled to deduct the GST previously incurred on their purchases in accordance with the specific conditions set out in the new law. Contractual arrangements signed before the effective date of the new law that are executed partially or fully after the effective date of the new law, shall be modified to reflect the changes introduced in the law. This applies notably to the value of these contracts that are impacted by the change in the tax rates. The new law grants businesses a three month transitional period for reconciling their VAT position, during which the ETA will not levy the additional tax for errors or omissions.

Scope and rate

VAT will be applied on a broader range of goods and services than under the previous GST, while a number of basic goods and services and other categories are exempt. The standard rate will be 13% for the FY16- FY17 and 14% starting from the FY17-FY18. The standard rate is applied to all goods and services, except for machinery (excluding buses and passenger cars, which are taxed at the standard rate) and equipment that are subject to 5% and items mentioned earlier specifically exempt or zero rated. Some goods and services are also subject to the Excise Tax applied at different rates depending on the nature of the good or service.

Tax return

The VAT and Excise Tax return must be submitted on a monthly basis, and the deadline for submitting the return remains the same.

Reverse charge

For services provided in Egypt to a registrant by non-residents and non-registered persons, the following shall apply:

- First case: If the service acquired from abroad is for providing a tax exempt good/service or not for business purposes, then the recipient shall be liable to calculate and pay the tax due within 30 days from the date of sale (if no fiscal representative has been appointed).
- Second case: If the service is acquired from abroad for business purposes to perform a taxable activity, the recipient shall be treated as an importer and supplier of the service at the same time.

Input VAT deduction

Registered businesses are entitled to deduct VAT incurred on goods and services that has been acquired in relation to their taxable supplies. Registered businesses are not entitled to deduct input VAT related to their exempt supplies or their supplies of goods and services subject to Excise Tax.

VAT refund

Under the law any VAT refund should be refunded within 45 days from the date of submitting the documented request. This includes the VAT receivable balance which has been carried forward more than six VAT periods, the refund claim related to export sales, and the VAT paid prior to registration on machinery and equipment used in the production of taxable products or rendering taxable services.

Goods and services subject to the Excise Tax (in addition to VAT)

Soda soft drinks; televisions (more than 32 inch); refrigerators (more than 16 feet), deep freezers; air conditioners and their independent units; cars with their different engines capacity and communication services through mobile networks.

Goods and services subject to Excise Tax only

Tobacco; cigarettes; snuff and molasses; gasoline; kerosene; diesel fuel; diesel oil; fuel oil; processed potatoes; construction contracts; bus and railway transportation among the provinces; professional services; and consulting.

Goods and services exempt from VAT

The VAT legislation has listed a range of goods and services as exempt from VAT. This includes:

- Basic foods including tea, sugar, coffee, dairy products, bread and agricultural products which are sold in their natural state (except tobacco).
- Production, transfer, sale or distribution of electricity, education, training and scientific research services and health services.
- Sale and lease of land or certain other real property and a range of financial services (banking transactions that are legally restricted to banks and non–banking financial services that fall under the supervision of the Egyptian Financial Supervisory Authority, e.g. insurance, real estate finance, financial leases, micro financing, private and governmental insurance funds, factoring, insurance and reinsurance services).

It is important to note there a number of areas in the VAT law where there is a lack of clarity concerning the categorisation and treatment of exempt supplies. Executive regulations are expected shortly to help address these uncertainties.

Tax dispute resolution

In September 2016, the Ministry of Finance introduced a law which aims to facilitate the resolution of a high proportion of tax dispute cases at the appeal committees or courts with their different levels. The law was endorsed by the parliament and was sent to the State Council and President Sisi for their signatures, and then published in the official gazette.

The new law is based on provisions that are intended to make the dispute resolution process easier and more efficient. The resolutions will cover all types of taxes such as corporate income tax, salary tax, stamp tax and sales tax.

Following the issuance of the law, the Minister of Finance had established committees under the leadership of independent experts who are not working for the ETA, and including a member from the judicial consultants, as well as a technical member from the ETA.

1. The dispute resolution should be initiated by an application (using the special format issued by the ETA) from the taxpayer to the ETA that includes the subject of the case, and the level of the appeal or court handling it, supported by technical opinion and the related documents.

2. The ETA should keep a record of the application and should forward it within one week to the competent committee.

3. If the committee finds good basis for the resolution within thirty days from receiving the application, the ETA will notify the court, which in turn is liable to present the case before the court head within a maximum of five days. Further activities on this case should be stopped for a period of three months (starting from the end of the aforementioned five days), which will be renewed automatically until the ETA is notified that the case could not be resolved.

4. The committee should issue its recommendation for the resolution basis, upon reviewing the relevant supporting documentation, whereby such recommendation should be in accordance with the rules and regulations issued by the Minister of Finance.

5. The recommendation is then presented before the taxpayer within five days, who has the right to accept or reject it, within the following five days. If the taxpayer accepted the recommendation then it will be presented to the Minister of Finance for approval, if approved, then the decision will be final and the ETA shall be liable to notify the appeal committee or court of the outcome.

Recently, the Ministry of Finance asked many of the tax consulting firms to set out technical issues that have been recently debated with the ETA along with their recommended treatments. Such information will be included in guidelines that will be issued to support the work and the recommendations of the subject committees.

Customs duty

There have been a number of recent amendments introduced to the Egyptian customs duty regulations. The highlights of these amendments are:

- Introduction of presidential decree no. 538, that imposes a higher customs duty on several commodities, among which:
  - Some fruits, such as pineapple, guava, orange and apricot, are now subject to 40-60% customs duty.
  - Some food products, such as biscuits, are subject to a 60% customs duty.
  - Juices are subject to a 60% customs duty.
  - Perfumes and cosmetics are subject to up to 45% customs duty.
  - All types of carpets are subject to a 60% customs duty.

- The customs authorities no longer apply the relevant customs rates according to a fixed EGP to USD exchange rate, on the contrary, it applies it according to the EGP to USD exchange rate which is announced on a daily basis by the CBE.
- It's been announced that, the ministerial decree no. 43 for the year 2016 should be applied, whereby importers are only allowed to import to Egypt specific types of home appliances, clothes, shoes, toys, or some food products (such as; juice), provided that they are registered with the General Authority for Export and Import Control ("GOEIC").

Please also note that the Egyptian government has presented a draft law before the parliament on 4 August 2016, amending some of the provisions of the law no. 121 of 1982 concerning the importers' registration requirements, within the framework of the government directed towards controlling the pace of imports. However to date, there has been no official announcement with regards to the enactment of these amendments.

Draft investment law:

Egypt has issued a draft new investment law which includes measures that seek to simplify and facilitate the procedures and rules necessary for investment in Egypt. The law provides a range of additional protections and incentives to investment projects that are established under the law. Some of the notable features of the draft law are:

New investment authority and procedures to facilitate business establishment:

- The establishment of a single investment authority, called the 'Egyptian Investment Authority'.
- A defined time frame to facilitate and simplify the procedures for investors to obtain all necessary approvals for their investment project.
- The possibility of the immediate establishment of companies in one day for those who fulfil the necessary documentation requirements.
- Providing one unified number for all of its transactions with the governmental bodies, immediately after the company/entity becomes active.
- Certain protections accorded to investment projects from arbitrary decisions and prevention of actions against investment projects without involving the Egyptian Investment Authority.
- Reduced administrative involvement by other government bodies in regulatory decisions concerning the establishment of investment projects.
- The right to hire foreign labour in the range of 10% that can be increased to 20% subject to the approval of the Egyptian Investment Authority.
- Protection against the nationalisation of investment projects.

General incentives:

- All investment projects established under this law can access general incentives:
  - Start-up companies, enterprises, and contracts for loans and mortgages, are to be exempt from stamp tax and authentication fees for a period of five years, starting from the date of registration in the commercial registry, and shall also be exempt from taxes and charges which may apply upon registering land contracts, necessary to establish companies.
  - A unified customs tax of 2% on machinery and equipment necessary for the establishment of companies and private enterprises under the investment law.
  - A temporary customs exemption applies to the temporary importation of templates and moulds to be used in manufacturing of products, which are to be re-exported outside the country.

Special incentives:

- Granting a special incentive for new investment projects, where such incentive shall be linked to the type of investment or its geographical location.

Additional incentives:

- Permitting the establishment of special customs ports, for the exports and/or imports relevant to investment projects.
- Refunding the value of the supply of utilities to the customs of investment projects or part of the land to the investor, after the operation of the project.
- The government will partially bear the cost of technical training for employees.
- Refunding half of the cost relevant to acquiring certain government lands. This incentive is applicable to industrial projects provided that they start production within two years (starting from the date of establishing the company).
- Free allocation of land for some strategic projects; depending on their industry.

Exemption from import and export rules:

- Goods exported by investment projects in free zones or imported for their business needs will not be subject to a number of rules of importation and exportation and standard customs procedures.

Exemption from customs duties and other taxes:

- Goods exported by free zone projects out of the country or imported for their business needs are not subject to customs duties.
- Except for cars, the following types of goods are exempt from customs taxes, VAT and other taxes and duties:
  - All tools, equipment, machinery and the transportation vehicles of all kinds that are deemed to be necessary for the licensed activity of projects existing within free zone areas. This incentive is expected to also apply when the activity's nature requires a temporary exit of such goods from the free zone area to inside the country (on-shore), to be returned back to the free zone. This treatment applies to tools, equipment, and machinery as mentioned above, under certain terms, conditions, and guarantees issued by the Prime Minister based upon the recommendations of the Minister of Finance and the Minister of Investment.

Jordan

Income tax legislation

The Prime Ministry issued in August 2016 the law no.106 for the year 2016 "Legislation to exempt the revenues of exports of goods and services from the income tax". This in summary, covers the following:

1. Profits generated by a taxpayer through exporting products of local origin is fully exempt until 31 December 2018.

2. Profits arising from the export of certain services are exempted from income tax starting 1 January 2016 until 31 December 2025. These services should be developed inside the Kingdom and then exported to outside the Kingdom. The services under the exemption umbrella are:

   - Computer services;
   - Feasibility study services;
   - Legal, engineering, accounting and auditing consulting services;
   - General management consulting services;
   - Financial management consulting services;
   - Human resources management consulting services;
   - Production management consulting services;
   - IT services;
   - Outsourcing Services;
   - Services provided on the Internet to clients outside the Kingdom;
   - Pharmaceutical studies services;
   - Television and film production services;
   - International arbitration services if certain conditions are met.

3. In order to take advantage of the above exemptions, the following documents should be provided:

    - Certificate of origin issued by the competent authority to prove that the exported product is of local origin.
    - Bill or a contract should be in place stating the sale of the services outside of Jordan.
    - Customs declarations for exported goods.
    - Proof that the beneficiary place of exporting the service is outside the Kingdom and that the services are of local origins.

4. The following transactions are excluded from the export exemptions:

    - Exporting goods produced from mining of raw materials.
    - Export of goods and services covered by the trade protocols and bilateral payment and settlement agreements and other agreements made by the government that includes exchange of goods or services with any country.
    - Exporting any goods approved by the Council of Ministers based on joint recommendation of the Minister of finance and the competent Minister to be considered excluded.
    - Exporting goods and services to free zones, development zones and to Aqaba special economic zone.

5. Deducting or carrying forward of losses arising from the export activities are not allowed. Also the costs and expenses related to the export activities and the share of these activities in the common expenses are not accepted for the purposes of calculating the due income tax.

Sales tax legislation

The Prime Ministry has issued a decision to impose sales tax on the activities of tourism offices as of 15 December 2016.

Social Security

The Social Security Corporation has announced that Social Security contributions will increase as of 1 January 2017. The announcement states that employees' contribution will become 7.5% (currently 7.25%) and employer's' contribution will become 14.25% (currently 13.75%) with total contribution of 21.75%. Additionally, the voluntary social security contribution rate will increase to 17.5% (currently 16.75%).

Kuwait

United States (US) Foreign Account Tax Compliance Act (FATCA)

The state of Kuwait has signed an intergovernmental agreement (IGA) with the United States in light of FATCA dated 29 April 2015. As a result Ministerial Order Number 48 of 2015 (MO No. 48) was issued on 3 September 2015, setting the compliance framework for financial institutions operating in Kuwait.

Financial institutions operating in Kuwait have a series of compliances to be adhered to within the deadlines provided by the MO No. 48, which primarily include registration, appointment of the Responsible Officer, and implementation of compliance requirements with extended deadlines up to 31 December 2015. Ministerial Order Number 67 of 2015 (MO No. 67) and Ministerial Order Number 29 of 2016 (MO No. 29) were issued which specified the reporting deadlines as 28 November 2016 for Financial Institutions to report to the MoF and 30 November 2016 for the MoF to report to the Internal Revenue Service (IRS).

Automatic Exchange of Information (AEoI)

Kuwait has signed the Multilateral Competent Authority Agreement (MCAA) on 19 August 2016 for implementing the automatic exchange of information on offshore

financial accounts pursuant to the Common Reporting Standard (CRS). Kuwait is currently preparing the agreement for exchange of information upon request. The date of reporting and implementation is yet to be communicated by the Kuwait MoF.

Lebanon

Tax residency definition

During its session on 3 November 2016, the Lebanese Parliament issued several laws related to the fiscal regime in Lebanon. Some of these laws are technical in nature, e.g. clarifying bookkeeping and accounting requirements for various types of businesses.

However, Law No. 60 introduces various clarifications to the Tax Procedure Law (TPL), including the definition of tax residency from a Lebanese perspective. According to Law No. 60 "Residency" is to be understood as follows:

1. Any juridical person is considered a tax resident in Lebanon, if they:
   a. Have been established according to the Lebanese laws; or
   b. Have been registered according to the Lebanese laws; or
   c. Are considered a place of business in Lebanon.

2. Any natural person is considered tax resident in Lebanon if they:
   a. Have a place of business in Lebanon; or
   b. Have a house in Lebanon permanently available to them or their family members (i.e. the spouse and dependent children); or
   c. Is present in Lebanon for more than 183 days in any given 12 months period. The 183 days will not include days:
      - Spent in transit at the International Airport Beirut; or
      - In Lebanon, if the stay was solely for the purpose of undergoing a medical treatment.

While the international standards typically require companies to perform some form of management function in order to be considered resident, Lebanon lowers this threshold significantly by just referring to a place of business. In theory, every company that sends an employee to Lebanon to perform some sort of business function would be exposed of being resident in Lebanon. How the Lebanese tax authorities are planning to handle such cases in future is still not clear.

Concerning individuals, the residency criteria are even wider; on one hand, they refer to a place of business, and on the other hand, they also include houses in Lebanon available to the individual or his family. In this context it should be noted that Lebanon has a significant number of people working outside Lebanon either permanently or temporarily. Typically these people still own houses in Lebanon that are available to them. Consequently, this wide definition has certainly exposed a huge number of people of being resident in two countries. In case there is a Double Tax Treaty between the two concerned countries, individuals need to apply (model) Article 4 of such treaty in order to establish their tax residency. Should no treaty be available, these people remain a resident in two countries with the potential risk of double taxation.

One can imagine that the Lebanese authorities opted for such a wide definition in order to limit the number of reportable bank accounts held by non-residents in the context of CRS. However, this has wider scale implications.

Oman

Tax exemption for companies in Sohar Free Zone ('SFZ'):

Companies registered with SFZ who obtain a license and enter into a lease/investment agreement with the Operating Authority, as well as maintaining business operations within the SFZ, are eligible for an Oman corporate income tax

exemption for up to 25 years should they fulfil the below prescribed Omanisation percentages:

- 15%: 1 to 10 years;
- 25%: 11 to 15 years;
- 35%: 16 to 20 years;
- 50%: 21 to 25 years.

To qualify for the tax exemption; the company must present a tax statement at the end of each year, including a list of its employees and the achieved level of Omanisation to date.

Draft Securities Law:

The Capital Market Authority (CMA) published its draft securities law to the public and participants of securities market for review subsequent to its board meeting held on the 31st October 2016. The new law aims to update the existing securities regulation in compliance with the International Organization of Securities Commissions (IOSCO).

Clarification/Update of the Code of Corporate Governance:

CMA issued a compendium on 1 December 2016 responding to queries and questions regarding the Corporate Governance Code of 2015. The compendium announced minor linguistics and technicalities amendments to the Code of Corporate Governance. The updated version has since been published on CMA's website: https://www.cma.gov.om

Compulsory filing of financial data by companies with MOCI:

All companies must report information concerning financial position, including income statement and balance sheet, to the Ministry of Commerce & Industries using its 'Investeasy' online platform within six months of the company's year-end.

Increase in processing fees for labour clearances

Oman's Ministry of Manpower, the country's chief Labour Authority, has decided to increase processing fees for labour clearances from OMR 201 to OMR 301. Companies looking to sponsor foreign national employees should account for the proposed increases in government fees when planning/forecasting their global mobility needs.

Labour clearances authorise companies to sponsor individuals for a work and residence visa. Labour clearance requests are based on several different factors including availability of Omani nationals to perform the role as well as the applicant's academic credentials and suitability for the role. Once the labour clearance is issued, foreign nationals can enter Oman on a work visa and obtain a two-year residency permit upon entering the country and completing certain in-country formalities, including a medical examination.

Qatar

Changes to the Labour Law

The Qatari government confirmed changes to the Kafala sponsorship law which came into effect on 14 December 2016. A work-sponsorship system, known as Kafala, currently requires all foreign workers to obtain their employer's consent to travel abroad or switch jobs. The new regulations are aimed at making it easier for migrant workers to change jobs and leave the country. The government has urged everyone not to draw any definitive conclusions until there has been time to see the new law in action.

Key highlights

- Single exit permits have been abolished; all permits will be multiple entry and have a period of validity between 1-365 days.
- There are no government fees for exit permit.
- The sponsor will need to be informed that the expatriate plans to leave the country and will have an opportunity to object against this (applicants will be able to appeal against any such objections).
- Expatriates who finish fixed contracts will need the permission of the government, rather than the consent of their sponsor (No Objection Certificate), to take up another job.
- Employers are not allowed to retain the employee's passports.
- Significant fines and/or penalties will be applied to sponsors who hold the passport of their employees.
- All the employees will have to sign an employment contract.

What this means for employers?

- An employment contract needs to be in place for all the employees.
- The terms mentioned in the employment contract need to be reviewed and should be based on the format approved by the Ministry of Labour.
- Salaries outlined in the employment contract need to be paid in Qatari riyals into a Qatari bank account. This is in line with the Wage Protection System (WPS) requirements.
- Significant fines and/or penalties will be applied for non-compliance with above.

Saudi Arabia

Changes to Zakat and tax profile of Saudi listed companies

Update: On 18 January 2017 the General Authority for Zakat and Tax ("GAZT") issued a letter to Saudi Capital Markets Authority (12097/16/1438), in which it advises that the approach described below is expected to apply to returns for the year ending 31 December 2017 and/or after. In other words, the application of the new approach is deferred by 1 year. The letter also states that GAZT will develop a mechanism of applying the new approach in the meantime.

This effectively means that listed companies should continue determining their zakat and tax profile under the rules existed prior to the issuance of the Circular of 5 December 2016; they do not have to take into account the effect of non-GCC participation in the capital resulting from acquisition of their shares in Tadawul secondary market.

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The General Authority for Zakat and Tax ("GAZT") issued a new Circular that introduces a completely new approach in regulating the zakat and tax profile of listed companies. According to the new Circular, zakat/tax profile of Saudi listed entities will be based on actual ownership between GCC and non GCC persons as at the date of fiscal year end, which will now include the weight of listed shares. In the past listed shares have not been considered in determining the zakat/tax profile of listed companies, but rather only the percentage of only original (founding) shareholders' ownership has been taken into account.

Key changes

Pursuant to the Circular, listed companies will be subject to zakat and tax as per their actual percentage of ownership shown in the "Tadawulaty System" at year end. Listed companies can obtain a report from the "Tadawulaty System" which clarifies the details of the security ownership records, information about the investor including the nationality, type, address, and category (whether resident or not). The new Circular specifically mentioned the following requirements:

1. Listed companies should file (zakat/tax) returns according to actual ownership percentages at the end of the company's fiscal year with an attached statement that shows the actual ownership percentage of company's shares by Saudis, non-Saudis and GCC nationals;
2. Listed companies must make advance payments in the following year based on the amount of taxes shown in the company's return. The requirements of the Circular are applicable to companies, whose fiscal year ends after the issuance date of the Circular (4 December 2016). Therefore, it is applicable to all listed companies with 31st December 2016 year-end. The Circular further states that prior years should not be impacted by the new requirements. Zakat and tax profile of Saudi listed companies will now be impacted by shares listed on Tadawul

Other key implications of the new rules will come into force if information from the "Tadawulaty System" reports non-GCC ownership in a listed company (which has historically been subject to zakat only), the following key issues should be considered by the company:

1. The company will not be allowed to consolidate its subsidiaries to its zakat return – all members of the group will have to file separate zakat and tax returns. This will add a significant administrative burden and increase compliance costs. Furthermore, it will potentially add additional zakat costs resulting from intercompany transactions (eliminated in consolidation).
2. Some key cost items that are fully deductible from zakat base have limitations in tax regulations, which include loan charges, maintenance and repairs, etc. The company would have to enhance its systems to a level that will generate details sufficient to determine the limitations.
3. Ownership structure of taxpayers is reflected in the recently introduced online registration system (ERAD). Listed companies may have to change data at the end of each year to update the ownership ratio between GCC and non GCC persons.
4. Listed companies should consider the effect of the change to their financial statements. In particular, they should find a way to determine the amount of tax provisions in their interim reports, given that the share of tax will depend on year-end ownership structure. At the same time, inclusion of listed shares in the calculation of zakat and tax may have the opposite effect in companies which already have non-GCC shareholders among its founding shareholders and therefore already subject to tax in non-GCC share.

Companies are advised to review the origin of their current (and expected as at their year-end) shareholders to assess the impact of the new rules. The Circular refers to "Tadawulaty System" as a source of information and states that all investors (whether resident or not) would be included in the "Tadawulaty System" report. As such, we understand that all non GCC share of ownership in listed companies would now be subject to tax. Advance planning and preparation should help with (i) assessment of monetary impact of the new approach and (ii) adequate and timely compliance with the requirements.

Higher customs duties for 193 products with immediate effect

In April 2008, the Kingdom of Saudi Arabia (KSA) government resolved to reduce the customs duty rates on 193 tariff lines relating to certain products in KSA by removing/subsidising the "protection duties" previously levied on these products to protect the local industry.

However, it has recently decided to bring the rates for these selected group of products back to those in place prior to the introduction of the subsidised rates in 2008, resulting in increased customs duty rates from 5% up to 25%.

The products impacted by the increased customs duty rates include poultry, meat, dairy products, certain consumer products, fertilizers and chemicals, electrical hardware and cables and building materials.

Based on our informal discussions with Saudi Customs and our understanding of the current practice at the borders, the new customs duty rates are already being enforced, and importers are requested to pay the increased customs duty to clear the goods into KSA. Businesses are urged to review their portfolio of products and evaluate the impact of the new rates on their supply chain.

Excise tax on harmful goods

Excise tax will be implemented on certain products that are viewed to be harmful to individual's health. The tax will be levied at a rate of 50% on soft drinks (at this stage, there is no indication on whether it will apply to all or specific soft drinks), and 100% on tobacco products and energy drinks will be imposed from April 2017. This will result in these specific products becoming costlier and potentially achieving the objective of reduced consumption.

New electronic service for customs

The Saudi Ministry of Commerce and Investment has recently launched a new electronic service that allows exporters to issue and print export certificates of origin ("CoO") online. This initiative is expected to facilitate the issuance of export CoO's and help exporters to reduce costs. The new system replaces the previous lengthy paper-based process and is electronically linked with the Saudi Customs, which can ensure the validity and accuracy of the data listed in the CoO before starting the export formalities at the border. This is expected to reduce the export clearance time and facilitate the export formalities for Saudi exporters.

The CoO is one of the main export documents required by the Customs authorities of both the exporting and the importing countries. The new online system is expected to reduce the export clearance time and associated exports costs for exporters in KSA. It is recommended that businesses with significant export volumes and frequent need of obtaining CoO's to register with the MoCI to reduce the costs associated with the exports of goods from KSA.

Implementation of updated "Nitaqat" framework postponed

Saudi Arabia's Ministry of Labour (MOL) have decided to postpone the implementation of the updated Nitaqat framework. The updated Nitaqat framework was designed to further improve the representation of Saudi nationals in the private sector by ranking employers on the basis of:

1. The number of Saudi nationals they employ;
2. The number of female Saudi nationals they employ;
3. The number of Saudi nationals employed in higher/managerial roles;
4. The length of service of each Saudi national employee; and
5. The proportion of Saudi national employees with "higher" salaries.

Entities will continue to be ranked on the basis of a system of rolling averages which calculate average weekly "Saudisation" over a 26 week period. The government has not announced a new implementation date, nor commented on the reasons behind their decision to postpone – sources suggest that this might have been a result of companies asking for more time to adjust to the new system.

Although the decision to implement the new Nitaqat framework has been postponed, employers in the region should continue to be mindful of the amended ranking criteria and should take measures to improve their Saudisation rating in anticipation of the formal implementation. The MOL have launched a Nitaqat calculator which employers can use to calculate, and manage, their Saudisation rating.

Amendment to government fees for visas

The government of Saudi Arabia has decided to increase the government fees for the following immigration services:

1. Government fees of SAR 2,000 for "single entry" visas for short-term visits. The government states that this fee would not apply for individuals intending to obtain a Hajj or Umrah visa, assuming that they have not obtained such a visa before.
2. Government fees of SAR 3,000 – SAR 8,000 for "multiple entry" visas. The government fee applicable would depend on the tenure of stay that is permissible and the type of visa being procured.
5. The government has also announced that the fees for Exit/Re-Entry (ERE) permits – which are meant to facilitate the travel of foreign national residents to and from the country – will increase to SAR 200 for a two-month, single trip ERE permit with an additional SAR 100 for each additional month requested (up until the duration permitted by the underlying residency).

The government also announced its intention to introduce new and longer durations for multiple entry visit visas, namely one year and two years. The framework and eligibility criteria for this has yet to be disclosed by the authorities. Employers operating in Saudi Arabia should incorporate the increased government fees in their mobility planning and forecasting efforts.

Expatriate Levy

Currently, companies pay a levy of SAR 200 per month per expatriate employee, but only for expatriate employees that exceed the number of Saudi employees. As of next year, this fee will be increased gradually every January, until 2020. Furthermore, companies that have more Saudi employees than expatriate employees will no longer be exempt, but will benefit from a discounted levy.

In addition, a new fee on dependents of expatriate employees will be levied as of July 2017. The fee will be SAR 100 per dependent per month, and will increase gradually every year until 2020.

The table below summarises the levies per expatriate:

Year	Expat levy per dependent per month (SAR)	Number of expat is less than or equal to the number of Saudi employees (SAR)	Number of expats is greater than the number of Saudi employees (SAR)
2017	*100*		
2018	*200*	*300*	*400*
2019	*300*	*500*	*600*
2020	*400*	*700*	*800*

100% foreign ownership in retail and wholesale operations

Historically, the Kingdom of Saudi Arabia (KSA) has required at least partial KSA ownership of businesses. The restrictions had previously capped ownership by non-KSA nationals at 75%, requiring KSA national ownership of 25%. The Council of Ministers of KSA has since ratified the decision and on 13 June 2016, SAGIA announced conditions relating to the granting of licenses for 100% ownership of retail and wholesale operations by non-KSA nationals.

The conditions and our comments are as follows:

Conditions	Comments
The licensed company must have a minimum cash capital of SAR 30m (c. USD8m).	We understand that, as a matter of practice, capital is not required to be frozen in the bank account, and may be withdrawn after the proof of deposit is

	shown to the authorities.
The non-KSA national must have operations in at least three international markets.	The definition of 'operations' is not clear at present, though we expect it will entail direct trade and legal presence in more than three jurisdictions (with the USA likely to count as one market).
The non-KSA national must commit to invest not less than SAR 200m (c. USD53.3m), to include initial cash capital SAR 30m, over the first five years of operation, beginning with the date the license is obtained from SAGIA.	It is not clear at present as to what will be considered an 'investment' for purposes of the Decree - whether this will include, in addition to capital, operating expenses, a loan or quasi-capital. The initial capital requirement earlier was SAR 20m.
The company may be incorporated as a limited liability company or a branch of the foreign company.	Earlier, a branch of a non-KSA company was not permitted. A branch, being an extension of a company, may be a desired option for a non-KSA company to operate in KSA. While a limited liability company may be incorporated with one KSA national shareholder, it is still unclear whether a non-KSA national is permitted, in practice, to singly own a company.
The non-KSA national must commit to achieve the Saudization percentage stipulated by Ministry of Labour and Social Development, develop and deliver a plan to enable KSA nationals to take up key positions within the first five years of operation, and guarantee their continued employment.	The Ministry of Labour and Social Development has prescribed Saudization percentages for various industries. For instance, the telecommunication sector must have 100% KSA national employees by the 3rd of September. To our knowledge, a foreign telecommunication retail company is yet to be granted a license for 100% ownership under the Decree and as such it is to be seen whether an application for 100% non-KSA national ownership is adversely affected by the extensive Nitaqat ('Saudization') program of the telecommunication industry.
A minimum of 30% KSA national employees must be trained each year.	Earlier, the requirement was for a minimum of 15% of Saudi employees to be trained each year. Where the Nitaqat ('Saudization') program requires 100% KSA national employees, such as in the telecommunications retail sector, this provision may have the effect of training 30% of the entire retail workforce, which could be a significant cost.

The non-KSA national must commit to fulfil one or more of the following conditions within the first five years: (a) 30% of products to be distributed must be made in the KSA; (b) Invest 5% of gross sale revenue in research and development within KSA; and (c) Establish logistics and an after sales support centre in KSA.	It is unclear at present if satisfaction of any one condition will suffice. With respect to condition (a), what constitutes ‘made in KSA’, or a percentage thereof, is unclear. Clarity is required on matters such as whether the threshold applies to ensuring a certain percentage of raw materials is procured from KSA, or whether some degree of value addition must take place in the KSA. With respect to condition (b), what constitutes ‘research and development’ is unclear, and remains to be seen how it will vary per industry. With respect to condition (c), it is unclear whether the requirement to ‘establish logistics’ means that the non-KSA national must establish its own distribution channels, and if so, is the non-KSA national then prevented from engaging other distributors in KSA. Consideration must be given to any existing distributorship arrangements, and their possible termination. It is pertinent to add that if the company invests SAR300 (USD80m) within the first five years, then the preceding conditions may not apply.

United Arab Emirates

Double tax treaty with UK enters into force

The double tax treaty between the UAE and the United Kingdom entered into force on the 25 of December 2016 and became effective from the 1st January 2017 after the UAE’s Federal Council issued a decree with the constitutional procedures necessary for the ratification of the treaty. The treaty was signed on the 12 April 2016, and is the first double tax agreement between the two countries.

The treaty follows the general OECD guidelines, and states that interest and royalties are only taxable in the recipient’s state of residence. Although the UAE does not currently levy withholding taxes, UK domestic law requires companies to withhold tax at 20% on interest and royalty payments.

This treaty should encourage more investments between the two countries, and add to UAE attractiveness as a location for parent and holding company incorporation.

New rules raise the Corporate Governance bar

The Chairman of the Securities and Commodities Authority (“SCA”) of the United Arab Emirates issued the Decree No. 7 R.M of 2016 which sets out the new set of Corporate Governance Rules, which came into force on the 1 May 2016 and repeal the old governance rules issued under the Decree No. 518 of 2009.

The new rules are intended to provide a comprehensive overhaul of the existing corporate governance regime applicable to public joint stock companies and aim to complement the new commercial companies law No. 2 of 2015 (CCL) which was introduced to continue the UAE’s development into a global standard market and business environment and, in particular, raise levels of good corporate governance, protection of shareholders and promotion of social responsibility of companies.

General Assembly

The new rules focus on a number of areas that were previously not codified. For example, distinct rules have been introduced in relation to convening a general assembly. Unless approved by 95% of the shareholders, a board can no longer convene a general assembly with less than 30 days' notice.

Notice period

The notice period convening the general assembly must be disclosed to the market via the market's regulatory news service and published on the company's website. The notice must also provide shareholders with adequate detail to understand the purpose and agenda of the meeting. SCA approval will still be required to convene the general assembly.

Communications - board meetings

Under the new rules only a majority of directors are required to hold board meetings in person. Subject to the Articles of Association of a company, board meetings may be held using electronic communication methods such as video conferencing.

Related party transactions

The definition of 'related party' has been expanded under the New Rules. This means that more transactions will fall within the scope of the 'related parties transaction' restrictions. Under the New Rules, when deciding if a counterparty to a transaction is a related party, consideration must be given to whether the counterparty is a board member, chairman, director, senior executive or employee (each a "Relevant Person') or any company ('Relevant Company') in which any Relevant Person has a 30% (or greater) interest and any affiliate, subsidiary or parent of any such company.

Statutory registers

Under the new rules, public joint stock companies are also now required to maintain registers of conflicts of interest, insiders and related party matters. These registers are to be maintained by the companies themselves to ensure effective compliance.

All public joint stock companies should:

1. Obtain a clear understanding of the provisions of the New Code.
2. Complete a comprehensive gap analysis in order to understand the current position and develop a governance framework under the New Code.
3. Report on the findings of the gap analysis and recommend actions to be implemented.
4. Prepare the requisite governance framework.

Chinese visitors eligible for visas on-arrival

In a bid to strengthen relationships with China and boost tourism and trade, the UAE now allows Mainland China passports to avail a 30 day visa on arrival. The announcement was made earlier this year, although implementation was varied with reports suggesting that some immigrations officials were not formally notified of the update. According to figures released by Dubai Tourism, the number of Chinese visitors entering the country has increased by 29% from 2015. Chinese nationals are eligible for a 30 day visa-on-arrival, however this can also be extended once in the country for an additional 30 day period. Employers in the UAE looking to host business visitors from Mainland China no longer need to sponsor them for visas or complete any formalities prior to entry.

UAE consular posts in Delhi and Kerala start issuing Employment Entry Permits (EEPs)

The UAE consular posts in Delhi and Kerala (India) have now formally implemented a process of issuing Employment Entry Permits (EEPs) for Indian nationals seeking employment in the UAE. As of now, this facility is only available for certain blue-collar professions and for domestic help, but reports suggest that this may extend to a wider audience in upcoming phases of implementation. Under the new process, the initial application for an EEP would continue to be filed in the UAE; however, a reference number would then be shared with the employer, and subsequently, the applicant. The applicant would then visit the relevant UAE consular post with the reference number (along with additional supporting documentation) and be issued the EEP. A similar process has already been implemented in Indonesia and Sri Lanka, and reports suggest that neighbouring UAE consular posts (including the consulate in Mumbai) may follow suit.

This new development aims to provide increased flexibility to both employers and employees by introducing a consular component to work authorisation applications. The change also aims to improve transparency and security since the applicant is required to be physically present in their country of legal residence in order to obtain entry privileges. Although this does not apply to most corporate entities at this stage, we anticipate this facility to extend to all job titles in the future.

Introduction of part-time student work permits

The Dubai Creative Clusters Authority (DCCA) has introduced part-time work permit facilities for students. The new regulation allows students who are enrolled in full time undergraduate, graduate, or postgraduate programs with an academic institution operating within DCCA (including Knowledge Village) to engage in part-time work for other companies operating within the Freezone. The DCCA's decision to introduce part-time work permits for students is in line with the Ministry of Human Resources and Emiratisation's earlier announcement to implement training and temporary work permits for students and young people for entities based in mainland/onshore. Although the UAE's Labour Law had already made provisions for such part-time permits, formal implementation has been varied. It should be noted that companies operating in certain business sectors that are deemed high-risk or hazardous may not be eligible to employ young people on a part-time or full-time basis.

This new development will be beneficial to companies operating within the DCCA who also intend to hire students for part-time projects, internships, or even training programs. Companies would, however, have to adhere to regulations governing working hours, rest periods, and the workplace environment in general.

Changes to Emiratisation

The UAE Ministry of Human Resources and Emiratisation (MOHRE) has issued amendments to the existing Emiratisation framework that are expected to come into effect on 1 Jan 2017. The policies are aimed at improving the representation of UAE nationals in the private sector, specifically, in the fields of "data processing" and "health and safety". Policies pertaining to entity classification, in terms of the number of UAE nationals that they employ, have also been amended, with companies now having increased incentives to work towards improving their Emiratisation.

Requirement for two Emirati employees to process work permits on MOHRE's online platform

Companies employing 1000 or more employees would be obligated to register themselves on the MOHRE's online platform in order to obtain work permits for their employees. This system can only be accessed by UAE national employees and the resolution calls for at least two employees to be employed in such a position. Companies that fail to comply with this new resolution will lose their sponsorship privileges and may also face other administrative/financial penalties.

Requirement for an Emirati Health and Safety officer

Establishments employing 500 or more employees and operating in the construction or industrial sectors will be required to employ a UAE national to oversee occupational health and safety matters.

Changes to Emiratisation classifications

Although the UAE already had a framework for classifying establishments on the basis of their Emiratisation percentages, Ministerial Resolution No. 740 further builds upon the criteria. The government provides incentives for entities to strictly observe their applicable Emiratisation requirements by allowing them more streamlined immigration processing, lower government fees as well as other incentives. In addition, entities with higher Emiratisation levels may be given preference in bids for contractual work with government or semi government authorities. Entities with a lower Emiratisation "ranking" may not be subject to restrictions on their sponsorship privileges, however they will not have access to preferential treatment by the authorities. Category one is the highest ranking available while category three is the lowest. This resolution amends the classification structure by introducing additional subcategories within category two in order to provide incentives to entities who endeavour to improve their rating and allowing them a grace period to improve their Emiratisation in the event of a dip. The requirements stipulated by the MOHRE vary from jurisdiction to jurisdiction, with entities located in the Emirate of Dubai, Abu Dhabi, Sharjah and Ajman being subject to slightly higher requirements.

The Ministerial Resolutions aim to build upon the UAE's Emiratisation policies and organisations operating in the UAE should take this into account when making hiring decisions. Although the implementation details pertaining to procedural requirements will be released at a later stage, the resolutions state a formal implementation date of 1 Jan 2017. Since Freezones do not fall under the direct purview of the MOHRE, we do not anticipate a strict implementation of these policies for entities registered in UAE's Freezones, unless the Freezones in question decide to mirror these Emiratisation requirements.

Regional tax updates

GCC

VAT in the GCC – general update

The GCC States have agreed on a common legal framework to introduce VAT in the region. Following the formal GCC VAT framework announcement, each Member State will issue its own national VAT legislation based on agreed common principles. It is probable that most, if not all, of the member states are working towards implementing a VAT system by 1 January 2018.

The envisaged VAT system to be applied in the GCC, is a standard fully fledged VAT, with most supplies of goods and services being taxed and potentially very few exceptions. VAT will be applied at a standard rate of 5%. A number of specific items, including international supplies will be subject to VAT at zero rate and a limited number of supplies will potentially be exempt from VAT, reflecting economic or social considerations. Zero-rated supplies may include basic food stuff, and medical equipment among others. Furthermore, certain means of transport, export of goods and the provision of international services are expected to be zero rated, in line with the destination principle according to which VAT is charged in the country of consumption.

Way forward

In anticipation of the start date for VAT in most, if not all of the GCC countries, fast approaching, businesses need to get ready to comply with the new tax obligations, by reviewing their business processes, identifying changes required to their IT systems,

and developing an implementation roadmap to allow them to go live by 1 January 2018.

Unified GCC Customs Tariff 2017

The Customs Authorities of the Gulf Co-operation Council (GCC) countries have recently finalized the Unified GCC Customs Tariff 2017, which will enter into force on 1 January 2017.

The most notable amendments in HS 2017 are to be found in the forestry, chemistry, pharmaceutical and technology sector. In the forestry sector (chapter 44) the HS codes have been amended enabling an improved distinction between tropical wood and non-tropical wood, with the intention to get more attention for the use of tropical wood. Furthermore, this sector also includes new subheadings for specific bamboo and rattan products, which allows the monitoring and control of these products. Additionally, HS 2017 introduces new subheadings for specific chemicals controlled under the Chemical Weapons Convention (CWC), for certain hazardous chemicals controlled under the Rotterdam Convention and for particular persistent organic pollutants (POPs) controlled under the Stockholm Convention. Also, new subheadings have been introduced for the monitoring and control of certain pharmaceutical preparations. Another interesting change is the creation of new subheadings in chapter 87 for electric, hybrid and plugin hybrid cars, as well as for motorcycles with an electric motor for propulsion. The changes are not limited to the above examples; other subheadings are also modified and therefore other industries will be impacted.

Importers and exporters are urged to review the tariff classification of their products to ensure they are in line with the new Unified GCC Customs Tariff 2017. Companies should also update their commodity code databases to reflect the amendments, in case this is not processed automatically. This will prevent non-compliance in customs procedures as well as any systematic errors occurring upon communication with the customs authorities. Importers and exporters are additionally recommended to provide clear instructions to their customs agents to comply with the new Customs Tariff. The use of incorrect HS codes may lead businesses to declare products for entry into the GCC without the applicable import permits or certificate of conformity; furthermore it may lead to the assessment of the wrong customs duty rates, underpaying or overpaying customs duties to the GCC Customs Authorities.

Base erosion and profit shifting ("BEPS")

Developments in OECD's BEPS

On 5 October 2015, the Organisation for Economic Co-operation and Development (OECD) released its final report on transfer pricing documentation and country by country (CbC) reporting, an outcome of the OECD's Base Erosion and Profit Shifting (BEPS) Action Plan.

The OECD published further implementation guidance on 16 August 2016 with respect to CbC, which provides a mechanism for the so-called "surrogate parent filing." If the jurisdiction in which a parent company is tax resident implements Country by Country Reporting (CbCR) later than the countries in which the group's subsidiaries are resident (and these countries implement CbC legislation prior to the country in which the parent company is located), the subsidiaries might have local filing obligations for periods prior to the first period for which the parent has to file its CbCR report. Surrogate parent filing allows a parent company to voluntarily file a CbCR report before it is required to do so, provided certain conditions are met. This allows other countries to have access to the group's CbCR report without invoking local filing rules.

The OECD also clarified that partnerships which are constituent entities of a group, but which are not tax resident in any jurisdiction, should be treated as stateless entities. In this case, data relating to the partnership, to the extent it cannot be attributed to a permanent establishment, should be included in the line for stateless entities in the CbC report. Any partners that are constituent entities within the group

should include their share of the partnership's items in their jurisdiction of tax residence.

In addition, individual countries may introduce their own advice explaining how the OECD's guidance should be interpreted by companies reporting in that jurisdiction. From our experience, companies need to pay close attention to the following questions of technical interpretation in addition to tackling the challenge of correctly identifying and collecting the data:

- Which accounting basis to use for the preparation of the CbCR template (e.g. IFRS, local statutory reporting, etc.);
- Whether or not to include independent contractors within the employment numbers;
- The extent to which subsidiaries which are not wholly owned subsidiaries of the group are included (for example joint venture companies which are part of the consolidated accounts or not);
- How to report complex structures where the allocation of income and taxing rights between countries is unclear or where different countries take different positions on the tax residence of an entity or specific income streams;
- The extent to which materiality can be used to reduce the reporting burden if there are minor items that are not recorded in financial systems in a way that facilitates reporting under the CbCR format;
- The inclusion within the revenue category of all items of income, even if, for management reporting purposes, items such as one-off intra-group transfers might be booked elsewhere in a group's income statement;
- Identifying and including withholding tax payments within tax paid as it may not be possible to readily identify these payments from standard reporting systems that focus on accruals rather than cash paid;
- Separating deferred tax, prior year adjustments and uncertain tax provisions from current year tax accruals if these amounts are not tracked separately within an accounting system;
- Which items are to be included within the balance sheet items such as tangible fixed assets and stated capital where a group's balance sheet may include a number of line items that are not to be included in the CbCR template.

While some of these issues may become clearer over time as further guidance is issued, many companies will need to exercise their own judgment and come to their own conclusions as to the most appropriate course to follow.

Managing mobility in a world reshaped by BEPS

Mobility is evolving, driven by advancing technology, transformations in the way people and organisations work and by a fundamental shift in the regulatory environment. In particular, the OECD's BEPS project has sharpened the focus on the risks involved in global mobility; where an organisation's employees work and the activities they perform – even short term business visitors – can have far reaching tax implications.

PwC conducted a survey of 224 professionals from a broad range of organisations worldwide, including the Middle East, to find out how organisations with globally mobile employees are tackling these challenges.

The survey identified some interesting observations about the changing nature of mobility. Global mobility is not simply about tax and HR - it's about making global business operations happen.

Key findings:

- Mobility is evolving and informal mobility is on the rise. It's becoming increasingly important to track where employees are working and what they're doing.

- Organisations are struggling to manage the informally mobile. This population can pose particular challenges and risks. For example, 24% of respondents had received a recent Permanent Establishment challenge from a tax authority.
- Whilst over half of organisations are aware that the BEPS changes have significant implications for mobility and their tax position, they are unsure how best to deal with the challenges.

To find out more, contact our team, or download the full report for free from www.pwc.co.uk.

Double tax treaty updates

The following double tax treaties have been signed or brought into force since 1 July 2016:

Countries	Dates	Key information
Bahrain – Cyprus	Signed on 9 March 2015. Entered into force on 26 April 2016. It will apply from 1 January 2017.	The treaty generally follows the OECD model and includes provisions related to the exchange of information. The treaty states that dividends, interest, and royalties are taxable only in the recipient's state of residence.
Bahrain - Portugal	Signed on 26 May 2015. Entered into force on 1 November 2016. It will apply from 1 January 2017.	The maximum withholding tax rate is 10% on interest payments, 10% on dividends (15% if company owns less than 25% of share capital), and 5% on royalties.
Bahrain - China (Amending protocol)	Entered into force on 1 April 2016. It will apply from 1 January 2017.	The protocol revises provisions dealing with the Chinese taxes covered by the treaty, the definition of resident of a contracting state, and the designated competent authority of both countries, and China's method for the elimination of double taxation. It also increases the withholding tax rate on dividends from 5 percent to 10 percent and updates the exchange of information article in accordance with the OECD standard.
UAE - Romania	Entered into force on 11 December 2016. It will apply from 1 January 2017.	The maximum withholding tax rate on dividends, interest, and royalties is three percent.
UAE - St. Kitts and Nevis	Signed on 24 November 2016.	Text of the treaty is not yet available.

Countries	Dates	Key information
	The treaty will enter into force when it is ratified by both countries.	
UAE - Ecuador	Signed on 9 November 2016. The treaty will enter into force when it is ratified by both countries.	Text of the treaty is not yet available.
UAE - Argentina	Signed on 3 November 2016. The treaty will enter into force when it is ratified by both countries.	The maximum withholding tax rate is 12% on interest payments, 10% on royalties, and 10% on dividends (15% if the company holds less than 25% of the share capital).
UAE - South Africa	Signed on 23 November 2015. Entered into force on 23 November 2016. It will apply form 1 January 2017.	The maximum withholding tax rate on interest and royalties is 10%. The maximum withholding tax rate on dividends is 5% if the beneficial owner is a company whose capital is wholly or partly divided into shares, and directly holds at least 10 percent of the capital of the payer company. In other cases, a 10% rate applies.
UAE - UK	Signed on 12 April 2016. Entered into force on 25 December 2016.	The treaty states that interest and royalties are taxable only in the recipient's state of residence.
UAE - Ethiopia	Signed on 12 April 2015. Pending ratification. Will enter into force after final ratification.	Under the treaty, dividends, interest, and royalties are taxable at a top rate of 5%. An exemption applies to royalties paid for the use of, or the right to use, a copyright of scientific work, a patent, trademark, design or model, plan, secret formula or process, or for the use of, or the right to use, information concerning industrial, commercial, or scientific experience.
UAE - Uruguay	Signed 10 October 2014. Entered into force on 13 July 2016. It will apply from 1 January 2017.	Under the treaty, dividends are taxable at a maximum rate of 5% if the beneficial owner is a company (other than a partnership) or a specified government institution; in other cases, a rate of 7% applies. Interest is taxable at a maximum rate of 10%. Royalties paid for the use of, or the right to use, industrial, commercial, or scientific equipment are subject to a 5% withholding rate, and a 10% rate applies in other cases. Exemption for royalties withholding taxes on

Countries	Dates	Key information
		Hydrocarbons paid by government.
UAE - Equatorial Guinea	Signed 19 October 2016.	Text of the treaty is not yet available.
UAE - Liechtenstein	Signed 1 October 2015. The UAE Cabinet approved the pending treaty on 30 October 2016.	Dividends, interest, and royalties are taxable only in the beneficial owner's state of residence.
UAE - Slovakia	Signed 21 December 2015. The UAE Cabinet approved the pending treaty on 30 October 2016.	Under the treaty, dividends are taxable only in the recipient's state of residence, while interest and royalties are taxable at a top rate of 10%.
UAE - Andorra	Signed 28 July 2015. Ratified via Federal Decree 166.	Text of the treaty is not yet available.
UAE - Mauritania	Signed 21 October 2015. Ratified by Federal Decree 169.	The treaty states that dividends, interest, and royalties are taxable only in the recipient’s state of residence.
Oman - Hungary	Signed on 2 November 2016. Entry into force is subject to diplomatic confirmation	The maximum withholding tax rate on dividends is 10% if the beneficial owner is an individual, and 0% for other cases specified in article 10. The maximum withholding rate on royalties is 8%.
Oman - Switzerland	Signed on 22 May 2015. Entered into force on 13 October 2016.	The maximum withholding tax rate is 5% on interest payments, 5% on dividends (15% if company owns less than 10% of share capital), and 8% on royalties.

Countries	Dates	Key information
	It will apply from 1 January 2016.	
Oman - Portugal	Signed on 28 April 2015. Ratified by Portugal on 14 July 2016.	The maximum withholding tax rate is 10% on interest payments, 10% on dividends (15% if company owns less than 10% of share capital), and 8% on royalties.
Qatar - Turkey	Signed on 18 December and pending ratification. Once ratified, the treaty will enter into force and will replace the old treaty signed in December 2001	Text of the treaty is not yet available.
Jordan - Saudi Arabia	Signed on 19 October 2016. The treaty will enter into force when it is ratified by both countries.	
Saudi Arabia - Venezuela	Signed on 11 November 2015 Entered into force on 1 December 2016. It will apply from 1 January 2017.	The maximum withholding tax rate is 5% for dividends and interest payments, and 8% on royalties.
Saudi Arabia - Kazakhstan	Signed on 7 June 2011. Entered into force on 1 September 2016.	The maximum withholding tax rate is 10% on interest and royalty payments, and 5% on dividends.

Countries	Dates	Key information
	It will apply from 1 January 2017.	
Saudi Arabia - Portugal	Signed on 8 April 2015. Entered into force on 1 September 2016. It will apply from 1 January 2017.	The maximum withholding tax rate is 10% on interest payments, 5% on dividends (10% if company owns less than 10% of share capital), and 8% on royalties.
Saudi Arabia - Sweden	Signed on 19 October 2015. Entered into force on 31 August 2016. It will apply from 1 January 2017.	The maximum withholding tax rate is 5% on dividends (10% if company owns less than 10% of share capital). Interest payments are only taxable in the in the beneficial owner's state. The maximum withholding tax rate on royalties relating to industrial, commercial, or scientific equipment is 5%, and 7% in all other cases.
Saudi Arabia - Mexico	Signed on 17 January 2016. The treaty will enter into force when it is ratified by both countries.	

Further information

Please follow the link to PwC's Middle East Tax and Legal news webpage to access all the latest updates and webcasts.

Our services

PwC helps organizations and individuals create the value they're looking for. We're a network of firms in 157 countries with more than 223,000 people who are committed to delivering quality in assurance, tax and advisory services.

Established in the Middle East for 40 years, PwC has firms in Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, the Palestinian territories, Qatar, Saudi Arabia and the United Arab Emirates, with over 3,000 people.

We provide a comprehensive set of services covering:

- Assurance and Audit
- Consulting
- Deals
- Family business
- Tax and Legal

PwC Tax and Legal

The Middle East Tax practice offers expertise in jurisdictions across the region with over 500 staff. We can provide assistance with the following areas:

- Indirect taxation (VAT, customs and international trade) and fiscal reform
- International taxation
- Global mobility and Human Resource Services
- Legal services
- Mergers and acquisitions / private equity
- Services for U.S. citizens and Green Card holders
- Tax and Zakat advisory
- Tax compliance, management and accounting services
- Transfer pricing

Let's talk

For a deeper discussion of how any of these issues might affect your business, please contact:

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